Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	IS3.50	S Arabia	Rls7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils 500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils 500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	SL125.00	Switz	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$85
France	FFr6.50	Malaysia	Rm4.25	Thailand	Bht50
Germany	DM2.20	Mexico	Pes300	Tunisia	Din0.800
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	Nkr10.00	USA	$1.00

Ø

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,498 Friday March 25 1988 D 8523 A

What Britain can do about Ireland, Page 25

World News

Afghanistan mediator attempts to rescue talks

The UN mediator at the Geneva talks aimed at securing a withdrawal of Soviet troops from Afghanistan was close to calling off negotiations following the failure of the Shultz-Shevardnadze meeting in Washington to break a deadlock.

In a last-ditch attempt to rescue the talks, the mediator asked Washington and Moscow to send senior representatives to Geneva so they can try to reach agreement on outstanding issues. Page 26

Israeli dissident convicted of spying

Mordechai Vanunu, the former nuclear technician who told a British newspaper that Israel had been developing nuclear weapons for 20 years, was found guilty of treason, aggravated espionage and unauthorised transfer of information.

He was expected to be sentenced to life imprisonment. Page 26

UK Labour Party turmoil

Britain's opposition Labour Party faced six months of damaging internal conflict with the decision by its left wing to try and depose leader Neil Kinnock. Background, Page 9

Church presses Noriega

Panama's Roman Catholic Church was due to call for the resignation of military leader Manuel Antonio Noriega. Page 5

Palestinians held

Israeli troops arrested hundreds of second-rank Palestinian activists and several alleged underground leaders of a 15-week-old Palestinian uprising in the occupied West Bank and Gaza Strip. Page 6

Reagan to visit UK

President Ronald Reagan will visit Mrs Thatcher, the British Prime Minister, on June 2 and 3 on his way home from the Moscow summit.

N-plant clash

Police fired tear gas to disperse laid-off building workers who blocked a main highway to Rome in protest against a halt in construction of a nuclear power plant at Montalto di Castro, north of the capital. De Mita's problems, Page 2

Kenyan reshuffle

President Daniel arap Moi of Kenya demoted Vice-President Mwai Kibaki and appointed Deputy Science and Technology Minister Josephat Karanja to take his place. Page 6

Italian media protest

Italian press, radio and television journalists began four days of strikes to protest against delays in securing a new national agreement on pay and working conditions.

Portuguese strike looms

Portugal's two trade union confederations were preparing for a one-day general strike called next Monday against government labour reform plans. Page 2

Belgian crisis

Belgium plunged deeper into political crisis when King Badouin's mediator abandoned his mission to find a government coalition which would satisfy the French- and Dutch-speaking communities. Page 2

Botha under fire

President P. W. Botha's intervention to prevent the trial of six South African soldiers on charges of murdering a Swapo activist was criticised by politicians, lawyers and journalists. Page 6

Smash and drag

A gang of armed robbers drove a 19-ton lorry through the front of a bank south of Paris and ripped out the safe with a chain winch.

Business Summary

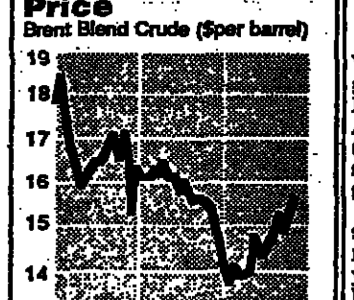
Repsol and Occidental in Colombia oil venture

REPSOL, Spanish state-owned energy group which is to be partially privatised later this year, said that Repsol Exploracion, its exploration division, had acquired a 25 per cent equity interest in Repsol Occidental, new US-registered company created with Occidental Petroleum of the US for the joint exploitation of Occidental's assets in Colombia. Page 27

FEDERATED DEPARTMENT Stores of the US asked R. H. Macy to increase its offer for the company in response to this week's improved bid of $6.5bn from Campeau of Canada.

OIL: Britain began an 11th round of offshore licensing for oil exploration blocks and promised a 50 per cent increase in licence areas compared to the previous round two years ago. The Brent 15-day London close was $15.47 compared to $15.35 on Wednesday. Page 26

North Sea Oil Price
Brent Blend Crude ($per barrel)



WALL STREET: The Dow Jones industrial average closed down 43.77 at 2,023.87. Page 50

TOKYO: Buying enthusiasm disappeared rapidly on growing fears that further controls would be imposed on margin trading. The Nikkei closed down 113.95, near the day's lows, at 25,781.28. Page 50

KRUPP, West German steel and engineering group, has announced a sharp reduction in sales during 1987 – down to DM14.1bn ($8.3bn) from DM15.8bn. Page 29

LONDON: International stocks suffered substantial falls as currency worries and a major rights issue by component manufacturer Lucas Industries helped send equities into a steep retreat. The FT-SE 100 index shed 2.7 per cent, finishing 49.5 lower at 1,782.7. Page 46

DOLLAR closed in New York at DM1.6770; Y125.60; SFr1.3865; FFr5.6995. It closed in London at DM1.6790 (DM1.6910); Y125.70 (Y126.80); SFr1.3885 (SFr1.3975); and FFr5.7075 (FFr5.7450). Page 39

STERLING closed in New York at $1.8420. It closed in London at $1.8435 ($1.8355); DM3.0950 (DM3.1050); Y231.75 (Y232.75); SFr2.5600 (SFr2.5650); and FFr10.5225 (FFr10.5450). Page 39

BOEING, US aircraft manufacturer, has won new jet orders worth close to $750m from Lufthansa and Air France. Page 3

BECHTEL GROUP, large US construction and engineering company, reported that revenues from work performed in 1987 slid by 32 per cent from the previous year to $4.5bn, a 10-year low.

COLECO, US toymaker, is seeking to avert the threat of bankruptcy by buying out its high-interest debt at a fraction of its face value. Page 27

BAYER, first of the big West German chemical companies to post annual results, has announced a 3 per cent drop in group turnover to DM37.1bn ($2.2bn), largely due to the fall in the dollar. Page 29

AXEL SPRINGER VERLAG, biggest West German newspaper group, looked likely to fall into the hands of Leo Kirch, Munich film entrepreneur, and Franz and Frieder Burda, members of the German publishing family. Page 29

Nicaraguan ceasefire greeted with relief, cautious US support

BY ROBERT GRAHAM, LATIN AMERICAN EDITOR

THE ceasefire agreement between the Sandinista Government and the US-backed Contra rebels was yesterday greeted with relief inside Nicaragua, welcomed within Central America and given cautious backing by the Administration in Washington.

The 60-day ceasefire, agreed late on Wednesday after three days of tough bargaining at Sapoa, a small town near Nicaraguan-Costa Rican border, goes into effect on April 1.

Against the backdrop of the ceasefire, detailed negotiations will then begin on ending the bloody war waged by the Contras against the Nicaraguan Government in Managua since 1982. The aim is to provide for the full integration of the Contras into Nicaraguan politics.

President Daniel Ortega declared after the agreement: "All of us here have decided to bury the axe of war and raise the olive branch of peace." He went on to urge the US to open a new chapter in its relations with Nicaragua.

Mr Adolfo Calero, head of the Contra delegation and the man controlling the rebels' military arm, said: "We have reached a sincere . . . viable accord which must and can be complied with."

In Washington, Mr Marlin Fitzwater, the White House spokesman, said the agreement represented an "important step in the long struggle to force democratic reforms and to restore peace to that country". He added, however, that much depended on how the Sandinistas implemented their pledges.

Although cautious, this was the most positive endorsement by the Reagan Administration of any peace initiative directly affecting Nicaragua.

Mr Jim Wright, the House Speaker, who has played an influential behind the scenes diplomatic role in promoting a truce, welcomed the accord but said he was planning a humanitarian aid package for the Contras which would be submitted to the Congress before Easter.

One of Mr Wright's senior aides said that the Contras had opened secret talks with the Sandinistas immediately after the Contra aid package was defeated in the House of Representatives on March 3.

The ceasefire agreement involves considerable consessions by the Sandinistas. They have agreed to the release of political prisoners, including under certain conditions the 1,800 or so former members of the Samoza National Guard. They have also opened the way for the Contras to participate fully in Nicaraguan politics.

The Contras, for their part, had argued for a longer ceasefire period of up to 90 days and had been against having their fighters in clearly defined zones. They argued this would make them vulnerable.

However, the Contras have accepted to be grouped into three zones, the technical details will be worked out next week.

Other points include: two sides meet in Managua on April 6 for talks on a permanent truce, AP reports.

Rebels move into specified zones in Nicaragua during the first 15 days of April. Zones to be determined through special commissions at meetings beginning in Sapoa on Monday.

The Government will grant gradual amnesty and allow all political exiles to return to the country without fear of persecution. It will release 100 Contra prisoners on Sunday. Half the remaining 1,400 jailed rebels are to be released when the rebels are in specified zones, the other half when a permanent truce is in place.

Contras will accept only humanitarian aid from a neutral organization which excludes military aid from the US.

A first step, Page 4

US seeks talks with Japan as Gatt rules out microchips pact

BY LOUISE KEHOE IN SAN FRANCISCO, DAVID BUCHAN IN BRUSSELS AND WILLIAM DULLFORCE IN GENEVA

WASHINGTON is seeking emergency trade talks with Japan following a ruling by the General Agreement on Tariffs and Trade (Gatt) that their bilateral pact on semiconductor business was illegal.

According to the findings of a special Gatt disputes panel, released by the EC in Brussels yesterday, Japan and the US violated Gatt rules in agreeing bilaterally to maintain high microchip prices on third markets as well as the US.

The Gatt ruling comes as a severe embarrassment to both the US and Japan, who concluded their controversial semiconductor pact in 1986 after a protracted and bitter trade row.

To comply with the ruling, which is due to be discussed by the full Gatt council on May 4, several terms of the trade pact may have to be modified, according to US trade experts.

In particular, Japan's price monitoring scheme for semiconductors may have to be changed or eliminated. The system was designed, according to US officials, to minimise price differentials between different geographic markets.

In the US, prices for Japanese-made memory chips are controlled by the Commerce Department, which determines a cost-based price for each Japanese supplier.

Without some form of control over Japanese export prices to Europe and elsewhere, the US feared that it would become a "high-price island" for memory chips, forcing American computer and electronics firms offshore in search of cheaper chips.

Mr Willy De Clercq, the EC external trade commissioner, said: "We expect the Gatt council to adopt the panel's conclusions on May 4, and we hope that Japan will rapidly and completely end this system of price fixing".

In practice, Brussels expects the Gatt ruling to embarrass the US more than Japan. Some Japanese officials and industrialists have privately shared European dislike of the 1986 semiconductor pact, though for differing reasons.

But for the time being the EC Commission is not prepared to respond to some Japanese and US suggestions for a trilateral, as distinct from a bilateral, price-fixing agreement between Europe, the US and Japan.

European views on semiconductor prices vary sharply between producers, who have pushed Brussels into launching current anti-dumping investiga-

Continued on Page 26

Anthony Parnes yesterday

Parnes says he's innocent

MR ANTHONY Parnes, the former London stockbroker at the centre of the Guinness affair, returned to Britain yesterday protesting his innocence and vowing to fight to clear his name, writes Raymond Hughes in London.

A little over two hours after arriving at Heathrow Airport from Los Angeles, where he had spent six months in detention awaiting extradition proceedings, Mr Parnes appeared at Bow Street magistrates court charged with 19 offences relating to the Guinness affair.

He was remanded on £500,000 bail until April 12 – when his five Guinness co-accused are scheduled to make their next court appearance.

One of the bail conditions allows Mr Parnes to return to his family in the US, after depositing £500,000 with the court.

After the hearing Mr Parnes stood silent and grim-faced on the steps of the court while his solicitor, Mr Philip Raphael, read a statement to awaiting cameras and reporters.

The statement said that "Mr Parnes has returned voluntarily to the UK. He left with

Continued on Page 26

Equities suffer sharp fall amid $, rates worries

BY SIMON HOLBERTON IN LONDON AND JANET BUSH IN NEW YORK

SHARE PRICES in London and New York fell sharply yesterday as it became apparent that the recent stock market rally had not restored investor confidence. There were also continuing concerns over the world economic outlook.

The FT-SE 100 Share Index closed 49.5 points down at 1,782.7 in what was the market's worst day since February 8, and the FT Ordinary Share Index closed 38.2 lower at 1,421.6. On Wall Street the Dow Jones Industrial Average dropped 30 points in the first half hour of trading, and closed 43.77 down at 2,023.87.

The falls in London and New York followed a 113.95 point decline in share prices in Tokyo where the Nikkei Index closed 0.44 per cent lower at 25,781.28. These were mirrored in Europe, where share prices in Amsterdam, Frankfurt and Paris were all lower on the day.

Dealers and analysts said yesterday's sharp decline in London and New York underlined the continued weakness and fragility of world equity markets in the wake of the stock market crash in October and November last year. The weakness of the dollar and concerns over the outlook for the US economy and US interest rate policy also appear to have unnerved investors.

Another view was that the announcement by Lucas Industries of a £162.7m ($298.2m) one-for-four rights issue had encouraged selling because investors were worried there might be more such issues to come.

Analysts said the strength of sterling and concerns over today's UK trade figures were also possible reasons for the market's sharp fall.

On Wall Street, equities slumped from the opening bell in response to the dollar's fall overseas and a very weak opening on the US Treasury bond market.

In a mirror-image of the stock market, bonds started to recover as the losses in equities steepened. In one of the most volatile sessions seen in recent weeks, the yield on the Treasury's benchmark 30-year long bond soared to 8.77 per cent, its highest level since late January, and then dipped back to below the key 8.75 per cent level to close ⅛ point higher at 8.73.

The equity market had looked vulnerable throughout this week. Volume had dropped to some of the lowest daily totals this year, blue chip stocks continued to weaken and rising secondary issues that had boosted the Dow to a post-October crash high of 2,087.37 on March 18 started to lose steam.

The major concern behind yesterday's decline, which has lain behind the bond market's weakness, was a possible upsurge in inflation

Technical traders pointed to standard equity to bond ratios which indicated the equity market looked expensive after the recent fall in bond prices. They also said they were looking at alarming parallels between the pattern of equity price movements since October and the aftermath of the 1929 crash.

The pound closed at DM3.0950 compared with DM3.1050 on Wednesday and at $1.8435 compared with $1.8355. The Bank of England's trade-weighted sterling index closed 0.2 points lower at 77.1.

Lex, Page 26
UK to clarify £ policy, Page 26
World Stock Markets, Pages 47 and 50

US savings and loans in annual deficit of $6.8bn

BY ANATOLE KALETSKY IN NEW YORK

THE US savings and loan industry suffered an aggregate net loss of $6.8bn in 1987, the Federal Home Loan Bank Board, the industry's supervisory body, reported yesterday.

The loss figures came less than a week after the federal agency made its unprecedented announcement of government guarantees to all depositors at Financial Corporation of America, the nation's second largest savings and loan institution.

The annual loss compares with a net profit of $132m in 1986 for the thrift industry and a 1987 profit of $3.7bn by commercial banks, which took large provisions last year for their troubled Third World lending. The thrift industry's previous record annual loss was $4.6bn in 1981, when savings institutions were caught between between soaring interest rates on their deposits and low fixed rates on many of their mortgage assets.

This time, however, the industry's crisis, which could ultimately lead to losses of anywhere from $20bn to $50bn or more, has been due largely to excessive lending on commercial property, rather than macroeconomic forces.

The thrift industry's huge deficits were largely attributable to the technically insolvent thrifts which have been kept alive with Federal government support pending decisions on their restructuring, merger or liquidation.

The 345 insolvent thrifts which have continued to operated under the board's aegis lost a combined $9.5bn. Other unprofitable thrifts, but technically solvent thrifts, lost a further $3.9bn, the board said. The industry's losses mounted during the year, as many property markets, particularly in Texas and the rest of the south west, continued to deteriorate.

In the final three months of the year, the industry lost $3.2bn, nearly half the total for the year as a whole. The board, whose Federal Savings and Loan Insurance Corporation subsidiary insures thrift deposits up to $100,000, is working on a series of plans to reorganise and sell insolvent thrifts. The most important of these plans relates to about 150 insolvent thrifts in Texas and other south western states.

By comparison, the US banks are estimated to have around $90bn of credits outstanding to the 15 largest Third World debtors. A 25 per cent write-down on these credits would cost the banking system about $22bn, while a 50 per cent write-off would cost $45bn.

Editorial Comment, Page 24

Armenian mass protests banned

BY LESLIE COLLIT IN MOSCOW

AUTHORITIES in Soviet Armenia yesterday put an effective ban on the mass demonstrations which nationalists in Yerevan, the republic's capital, have threatened to stage tomorrow in support of their demands for a boundary revision.

Less than 24 hours after Soviet leaders made clear that boundary changes were not being considered, the Communist government of Armenia announced that persons wishing to demonstrate must seek permission 10 days ahead of time.

A group of nationalists in Yerevan, where hundreds of thousands of people demonstrated last month, have pledged to mount "explosive" protests on Saturday, when a self-imposed moratorium on protests expires.

Yerevan residents reported yesterday that Red Army helicopters were flying overhead, but the city was calm.

On Wednesday, the Supreme Soviet rejected any reunification between the contested region of Nagorno-Karabakh and Armenia. It called on the authorities there and in neighbouring Azerbaijan to re-establish law and order.

The Soviet newspaper Izvestia, in the first detailed official report from Nagorno-Karabakh yesterday accused protest leaders there of attempting to dictate demands to the Communist Party.

Izvestia also criticised officials in Azerbaijan, on whose territory Nagorno-Karabakh lies, for dictating to the region in the past. Nagorno-Karabakh is largely inhabited by Armenians who are traditionally Christians while Azerbaijan is Moslem.

It also said "dozens" died in rioting last month in the Azerbaijani city of Sumgait, hinting at a higher death toll than 32, hitherto the official death toll. Some Armenian nationalists have said hundreds of their people were killed.

Dr Andrei Sakharov, the Soviet Union's most prominent dissident, appealed to Soviet leaders in a telegram this week to seek a just solution for Nagorno-Karabakh and also for Crimean Tatars deprived of a homeland under Stalin.

CONTENTS

MONTEDISON CHOOSES A NEW FACE – AND NEW STRATEGY

Chief executive Alexander Giacco says Wall St will buy nothing but credibility, Page 29

Brussels tackles French over Les Echos sale

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission is asking the French Government to explain its decision to delay the purchase of Les Echos, the financial daily newspaper, by Pearson, the UK publishing group which owns the Financial Times.

Lord Cockfield, the Commissioner responsible for the internal market, has written to Mr Edouard Balladur, the French Finance Minister, warning that EC law forbids attempts to stop Community companies from establishing themselves or pursuing business in other member states. The letter could be the opening step in a legal action by the Brussels authorities against the Paris Government.

If Mr Balladur does not satisfy the Commission that he is acting within EC law, Brussels can then ask for a formal justification from Paris, following which it can issue a so-called "reasoned opinion," demanding that the French authorities fall in line with the Treaty of Rome by letting the bid go ahead. Failure to do so would then lead to a battle in the European Court of Justice, the top legal power in the EC.

It is understood that Commission officials felt there were grounds to start a legal action immediately, but that Lord Cockfield wanted to give the French Government a chance to put its case first. Any justification for delaying the bid by Pearson hinges on the extent to which the group can be called an EC company – and therefore can claim the freedoms allowed in the Rome Treaty.

Mr Rupert Murdoch, the US-Australian publisher, owns 20.5 per cent of the group, a stake which EC officials do not believe should jeopardise Pearson's status as a Community company. However, Mr Balladur questions whether Pearson's EC status is "durably established" and the Commission itself is unsure how the UK group's legal position might be changed by any further moves from Mr Murdoch.

French officials yesterday emphasised that their Government was undecided on the bid for Les Echos until it felt Mr Murdoch's intentions were clearer.

Belgian coalition attempt collapses

BELGIUM plunged deeper into political crisis yesterday when King Baudouin's mediator abandoned his mission to find a government coalition which would satisfy both French and Dutch-speaking communities, Reuter reports from Brussels.

After presenting his final report to the king, Mr Jean-Luc Dehaene tried to put a brave face on the stalemate.

"I consider that my mission has not been a total failure although I cannot say that I have completely succeeded," he told a news conference.

Belgium has been without a proper Government since an inconclusive general election last December triggered by renewed feuding between the French-speakers of Wallonia and the Dutch-speakers of Flanders.

Mr Dehaene said his five-party talks between Christian Democrats and Socialists from each language group and Flemish regionalists from the Volksunie had made progress on economic and social policy. But they had foundered once again on the problems dividing Belgium's two language communities.

"We should not be under any illusions. Very big problems remain which cannot be easily overcome whatever the political line-up," he said.

A spokesman at the royal palace said the King had started consultations immediately with senior political figures over his next move.

Political sources said he could ask someone to take up where Mr Dehaene had left off, appoint another mediator to try a fresh approach or summon all the parties to the palace together to underline the gravity of the situation. If all else fails, he may eventually have to call another election to see if it produces a clearer result.

Last December's election was called after the centre-right coalition Government of Mr Wilfried Martens collapsed over a row concerning a French-speaking official working in Fourons, or Voeren, who refused to take a test in Dutch, the official language of that province.

The Martens Government emerged from the election with a small majority, but a marked swing to the Socialists in Wallonia gave them a strong claim to a place in government.

Mr Dehaene, a 47-year-old Flemish Christian Democrat and the third mediator to be appointed by the King, saw a five-party coalition as the best way to break out of the impasse, with himself as a possible Prime Minister.

UK must justify R-R shareholding limit

BY WILLIAM DAWKINS IN BRUSSELS

THE BRITISH Government has been asked by the European Commission to justify its decision to set a 15 per cent ceiling on non-UK shareholdings in Rolls-Royce, the aero-engine maker privatised a year ago.

If Britain fails to satisfy the Brussels authorities that limiting foreign ownership in Rolls-Royce can be justified on national security grounds – one of the few ways in which EC law allows member governments to set such restrictions – the Commission has the right to open legal proceedings.

These could call into question the extent to which the British authorities can protect newly-privatised companies against foreign share purchases, though Commission officials do not at this stage question the right of the Government to hold a so-called "golden share," giving it the right to veto bids.

The move follows the substantial losses shouldered by foreign shareholders when they were forced last month to sell 6m shares, just under 1 per cent of the group's equity, to bring the foreign stake in Rolls-Royce back below 15 per cent. Most of them were bought at the 170p offer price and sold at around 125p, implying an overall loss of roughly £2.7m.

The Commission has received no formal demands for action, although it is understood that West German banking shareholders did draw the matter to the attention of Mr Karl-Heinz Narjes, the West German industry Commissioner. However, the request for an explanation will come officially from his colleague, Lord Cockfield.

Under EC law, member states must give each others' citizens the same treatment "as regards participation in the capital of companies" unless essential security risks are at stake. In informal contacts with the Brussels authorities, the UK Department of Industry has argued that Rolls-Royce's military contracts do allow it to limit foreign shareholdings, but the Commission has to be convinced that setting a threshold as high as 15 per cent can be justified.

N-plant clashes add to De Mita problems

BY JOHN WYLES IN ROME

VIOLENT CLASHES between police and construction workers at the Montalto di Castro nuclear power station north of Rome yesterday ensured that the plant's future remains a key problem for Mr Ciriaco De Mita, the Christian Democrat leader, in his efforts to form a government.

For the third consecutive day a large number of the 3,500 workers employed at Montalto blocked the main north-south coastal artery, the Via Aurelia, in support of their demands for guarantees that their wages will be paid. More than a thousand police deployed tear-gas and were involved in scuffles with demonstrators in an unsuccessful attempt to re-open the road.

Construction was halted last November and the workers put on full pay while the outgoing Government headed by Mr Giovanni Goria decided its future and framed a new non-nuclear energy policy. As its dying act a fortnight ago, the Goria Government ordered work resumed at Montalto, despite the Socialist party's opposition. However, work was again halted last Monday on the orders of the Socialist mayor of Montalto, but so far no guarantees have yet been given about the workers' wages.

De Mita: painstaking talks

Mr De Mita has been conducting painstaking policy consultations with the other four parties which are prospective members of his coalition. The most important, Mr Bettino Craxi's Socialists have made it clear that the Goria Government's decision to resume construction must be suspended and that a new Government should agree to convert Montalto to non-nuclear electricity production.

Socialist leaders have rejected the findings of a committee of experts that the costs of conversion would be at least L3,172bn (£1.38bn) if the alternative was gas-fired and L5,544bn if it was a polycombustible gas/oil/coal system. Some L4,500bn has already been spent on the plant.

Mr De Mita has not yet revealed his hand on the question, seeking above all to concentrate on the policies upon which the five parties can agree. According to time-honoured but extremely leisurely Italian tradition, he has already consulted other party leaders twice this week and will see them all again today. He has also listened to the policy demands of the unions and industrialists.

Mr Craxi continues to promise full support if agreement is reached on policy details and he has raised no problems about the priorities tabled by Mr De Mita – reduction of the government deficit, institutional reform, development of the Mezzogiorno, combatting corruption and preparing for the European Community's 1992 internal market deadline.

Yet the Socialist leader is still creating a very uncertain climate around Mr De Mita's prospects. He has tried to start a policy row with the small Republican Party and encouraged speculation that the Socialists might be unready to serve with the Republicans.

Greens try to get their act together

By David Goodhart in Bonn

THE OLD riddle of whether the world's most successful ecology party is a real political party or a "movement" is unlikely to be solved at this weekend's 10th congress of West Germany's Green Party.

However, elections for the party executive, and the outcome of an obscure debate on setting up a research foundation modelled on those of the establishment parties, ought to provide clues as to whether it is finally going straight.

This is of more than academic interest. Although the Greens have suffered setbacks since touching their electoral peak of 8.4 per cent of the national vote in the 1984 European elections, they are refusing to wither away.

Many observers believed that having successfully "greened" the other parties and then split into three warring camps – "realos", "neutralos" and "fundis" – incapable of agreeing on anything beyond basic ecological questions, the Green vote would collapse. In fact, the Greens polled 8.2 per cent of the vote in the 1987 national election and slipped only slightly in the recent state election in Baden-Württemberg.

Despite this staying power the Greens palpably lack direction. The realos, who dominate the 43-strong parliamentary group, and the fundis, who control the party executive and claim most of the activists, could not survive without each other (they would not clear the 5 per cent hurdle for parliamentary representation) but cannot function effectively while tied together.

What is more, the "strategies" of both groups are in a mess. The fundis have the most utopian ideas but probably the more realistic strategy; which is to admit the party cannot increase its electoral appeal much further and should therefore concentrate on being an effective radical pressure group. However, the fundis self-confidence has been damaged by the Greens' poor showing in the last city election in Hamburg – a fundi base.

None the less, the fundis at least have the ability to turn their assumption of electoral failure into a self-fulfilling prophecy by behaving in ways calculated to alienate ordinary West Germans. The pragmatic realos, some of whom optimistically believe in an electoral ceiling of up 20 per cent, can only wring their hands and get on with trying to water down old Green policies like opposition to Nato.

However, the realos own strategy of slipping into power under the wing of the Social Democratic party was undermined by last year's elections in Hesse where the SPD suffered a sharp fall in its vote after going into the election advocating a tie-up with the Greens. The SPD has also now turned its attention to local coalition agreements with the other small party, the Free Democrats.

All is not lost, however. If the Greens can continue to hold on to their existing vote, and perhaps push it up with some more realo polish, the chance of post-election deals with the SPD, at local and state level, cannot be ruled out forever.

The Party is also starting to learn some old-fashioned political sophistication, for example by trading votes and official posts with the right-wing Christian Social Union in the Munich city government. And the widespread view that the Greens are a generational phenomenon who have failed to capture the imagination of younger Germans may have been overdone. According to one political scientist, 85 per cent of all Green votes come from the 18-29 age group.

Yugoslav presidency hits out over economy

BY OUR FOREIGN STAFF

YUGOSLAVIA'S collective presidency yesterday called on the Government to adopt a much less interventionist role in economic affairs in its efforts to overcome the country's growing economic and political crisis.

The presidency also urged new regulations to promote joint ventures with foreign partners, expansion of the private sector and changes in the tax policy which would stimulate economic growth.

With inflation running at 170 per cent and a foreign debt exceeding $20bn, Yugoslavia's federal Government faces more problems when a wage and price freeze imposed last November expires in May.

The presidency called on the Government to strengthen market forces and sharply reduce the level of state regulation of the economy to minimise the political influences which currently dominated the running of the economy. These moves, it says, should be monitored by the presidencies of Yugoslavia's six constituent republics and two autonomous provinces.

Critics of Yugoslavia's unique system of self-management, whereby factories, farms and offices are nominally run by the workers, say the system is hampered by interference from the state and the Communist party.

The Government last year imposed a series of price and wage freezes in an attempt to control rampant inflation and stabilize sinking living standards. However, 1987 saw a record 1,500 strikes as workers protested low wages and rising cost of living.

The government of Mr Branko Mikulic has recently faced sharp criticism even in the state-run press for its economic policies, with repeated calls for the Premier and his cabinet to step down. In its statement the presidency said such calls were part of an unacceptable political campaign damaging the Government's domestic and foreign activities.

It demanded that new legislation on joint ventures be passed urgently. Under the present law, foreign companies can own up to 51 per cent shares in their joint ventures with Yugoslav enterprises but have no right to manage the companies. This law has attracted little foreign investment. A joint venture law, drafted many months ago but yet to be passed by Parliament, would permit foreign partners to hold up to 99.9 per cent of shares in joint ventures and the right to manage such companies.

Approach of single EC market concentrates minds in Sweden

BY ROBERT TAYLOR, NORDIC CORRESPONDENT, IN STOCKHOLM

SWEDEN'S employers are building up the pressure for a national debate on their country's future relations with the European Community. Yesterday the forestry industry's main employers urged the Government to take a more positive attitude towards the EC's development of a single internal market by 1992.

"We cannot afford to be isolated from the EC. Hopefully one day Sweden will become a full member, but for the moment we must try to influence developments in Brussels," said Mr Bo Wergens, director general of the Swedish Pulp and Paper Association.

He warned that "restrictions in the EC against imports from outside countries could become a reality" and this might injure the growth of Sweden's forestry industry, which accounted for 20 per cent of export income last year and 3.5 per cent of gross national product.

Mr Bengt Rabaeus, the association's president and a former ambassador to the EC, argued that Sweden should behave as if it were already a member of the Community and push through the necessary internal reforms in harmony with the moves to a free market inside the EC by 1992.

The Swedish forestry industry is already involved in close co-operation with Brussels on a wide range of subjects, including harmonising environmental protection regulations, high technology, and research. Employers hope this will lay the ground for the gradual assimilation of Sweden into full participation in the EC.

Those employers attending yesterday's conference agreed that this should be Sweden's ultimate objective even if, in the present political climate, it was a sensitive issue to raise. The Stockholm Government has already ruled out EC membership on the grounds of Sweden's neutrality.

Last year, 43 per cent of the country's newsprint was exported to the EC, though it only made up less than 5 per cent of the Community's total consumption. The total value of Sweden's pulp, paper and timber exports in 1987 was SKr47bn [illegible] of which SKr38bn was earned in the EC.

"We need to stir up the issue," said Mr Wergens. But in what is general election year in Sweden the political parties may not be so keen to campaign over the question of relations with the EC if it threatens their electoral prospects.

GREECE YESTERDAY unveiled plans for a package of social measures designed to complement the economic changes involved in the creation of a single internal market in the European Community when it assumes the EC presidency in July, writes Andriana Ierodiaconou in Athens.

They are outlined in a Foreign Ministry document submitted yesterday to the European Commission. They cover a broad spectrum of issues including unemployment, health, social security, demographic policy and equal opportunity.

According to the document the goal is the setting up of a Community-wide "common social area" to parallel the creation of the single internal market.

W German rail losses up sharply

By Andrew Fisher in Frankfurt

THE LOSSES of West Germany's federal railway system rose sharply last year to nearly DM4bn (£1.3bn) and are expected to remain around this level in 1988, mainly as a result of lower freight carryings, said Mr Reiner Gohlke, the chairman.

With most of its revenues coming from freight, the Deutsche Bundesbahn has been hit by the problems in the coal and steel industry. The drop in the volume of coal and steel business accounted for most of the overall freight decline.

The Bundesbahn's deficit is now almost back to where it was six years ago, before a period of steady reductions. It has been engaged on an aggressive cost- and labour-cutting programme (the labour force totals 257,000 against 314,000 in 1982) while also investing heavily in new track, trains and equipment.

The loss for 1987 totalled DM3.95bn compared with DM3.82bn in 1986 and DM2.9bn in 1985. Total subsidies were DM13.7bn, of which DM9.4bn was included in calculating the deficit. The rest was mostly to help finance investments, running at nearly DM6bn annually.

As well as striving to become more efficient and win new passenger and freight business, the Bundesbahn wants the Government to make its finances more transparent by separating the costs of infrastructure (such as track) and of the railways' social role from the commercial side where it competes for freight with road, rail, and canals.

While this would not automatically solve its problems, said Mr Lothar Dernbach, the planning director, it would help management act more flexibly and competitively and help prepare the Bundesbahn for stiffer competition from road transport as this is deregulated in line with the EC's progress towards an internal market.

Portuguese unions mount challenge to labour laws

BY DIANA SMITH IN LISBON

PORTUGAL'S two trade union confederations are preparing for a one-day general strike called next Monday against labour reforms proposed by Mr Anibal Cavaco Silva's Social Democrat Government. It will the biggest union protest since a general strike called against a lame-duck Government six years ago.

The present administration has a far stronger base than the 1982 coalition. With a sizeable parliamentary majority, it is the first government since the 1974 coup with enough seats to complete its four-year mandate.

A keynote of its programme is changes in rigid labour laws which make it hard to let workers go, even with just cause.

The Government refutes union claims that they will endanger the job of every Portuguese worker. It insists it has provided tight safeguards.

Behind the general strike is not only the wish of the confederations – the mainly-Socialist UGT and the CGTP whose once-exclusive ties to the Communist party have now loosened – to make the maximum fuss about changes they are unlikely to stop, but also a deterioration in union-government relations.

The Government wants to be seen to be standing firm in the face of union pressure. Once the general strike is over, another crisis looms, following claims by unions and economists that the Government will not meet this year's inflation target of 6 per cent. The figure now suggested is 7.5-8 per cent which strengthens union claims that the Government has set unfair wage targets.

Intense debate in Hungary on role of party

INTENSIVE debate at a meeting of Hungary's Communist party central committee to establish guidelines for the first ideological conference in 20 years yesterday pushed the proceedings into a second day, AP reports from Budapest.

In an unusual public report on television, Mr Janos Berecz, the party ideologist, said opinions on the leading role of the party and "party unity" were diverse.

Local party bodies have for the past few months been discussing a series of "theses" on the role of the party, which are to form the basis for a Communist party conference in May.

The intensity of the debate has been reflected in the official media which have devoted unusually extensive coverage to diverse opinions.

Escape route for space station

BY PETER MARSH

EUROPEAN countries involved in the US-led international space station planned for the 1990s will be able to leave the venture by giving a year's notice, according to an accord on the project agreed last week.

The 11-page document, which has not been released officially, says that a European partner can withdraw by this route without damaging the prospects in the enterprise of other European countries which decide to remain.

Funding for the $20bn station, in which the 13 nations of the European Space Agency plan to join forces with the US, Japan and Canada, is by no means assured and will depend to a large degree on government policies over the next decade in both the US and Europe.

Although the accord recognises this, it is less than explicit as to what would happen if one or more of the participants fail to gain the cash needed to fulfil their obligations for the station.

The document says the countries involved in the station will "make their best efforts" to obtain the necessary funds, which are expected to come solely from government agencies.

"In the event that funding problems arise that may affect a partner's ability to fulfil its responsibilities in space station co-operation, that partner. . . shall notify and consult with the other co-operating agencies," the document says.

Western Europe's share of the construction costs for the station, which will have a crew of eight, is due to be about $4bn. Most of the money is expected to come from France, West Germany and Italy, with Britain so far saying it will stay on the sidelines. The cash will pay for Western Europe's Columbus space laboratory, which will plug into the central US core of the base and on which the main contractor is Messerschmitt-Boelkow-Blohm (MBB) of West Germany.

Some commentators have expressed surprise at the relative ease with which countries could leave the space station partnership. Professor John Logsdon, a science policy expert at George Washington University in Washington, said the clause regarding arrangements for abandoning the agreement indicated that the accord "was not necessarily binding".

However, he said he thought it unlikely that European countries would willingly leave the venture as they stood to learn a lot from the enterprise.

Judy Dempsey on the Vienna CSCE talks that could lead to a new forum for discussing conventional arms in Europe

East and West move closer on arms, still at odds over rights

THE VIENNA follow-up meeting of the Conference on Security and Co-operation in Europe (CSCE) goes into recess today until next month with substantial progress made in arms talks, but little to show on humanitarian issues.

The meeting started in November 1986 to review the implementation of the Helsinki final act of 1975 which was signed by a total of 35 countries, consisting of the US, Canada, and all European states except Albania.

It was scheduled to end months ago, but major differences in each of the three "baskets" into which the Helsinki final act is divided – arms and human rights, economic cooperation, and humanitarian issues – have prevented both sides from drawing up a final document.

In basket one, progress on arms has been steady, in contrast with previous review meetings. Delegates have agreed to another set of negotiations on Confidence and Security Building Measures (CSBMs) aimed at building on and expanding on agreements made in Stockholm in 1986.

There has also been progress towards agreement on a mandate for talks on conventional arms. Negotiations on that subject have been taking place informally since February 1987, under the aegis of CSCE but not linked to any specific basket.

The so-called "conventional stability" talks were undertaken after both Nato and the Warsaw Pact recognized that the Mutual and Balanced Force Reduction talks (MBFR) which had been taking place in Vienna for the past 14 years were so deadlocked that any hopes of agreement were unrealistic.

Last December both sides reached agreement in principle on the objectives and methods of a new conventional arms reduction forum, which would improve the climate in Europe through what they referred to "as a stable and secure balance of conventional armed forces".

They also agreed that the neutral and non-aligned countries would not be involved in the new talks, but would instead be informed on a regular basis. This week, a preamble to a final text was agreed to, and differences were ironed out on the question of verification, including on-site inspection, one of the issues which has hampered progress in the MBFR talks.

"The Soviet delegation is divided between the old school and the Gorbachev school...it is difficult to sense how far they are prepared to compromise."

However two crucial issues remain to be tackled. One is the question of geographical zones, including the delineation of the European part of the Soviet Union. The other is whether or not a reference to "dual capable" (conventional and nuclear) systems should be included in the final text.

Nato is insisting that the talks should only concern conventional weapons whereas the Warsaw Pact continues to insist on making a reference in the text to dual capable systems.

"The Warsaw Pact wants some reference, indirect or direct, to dual capable systems which will give them some opportunity to initiate a discussion on short-range nuclear forces. We are not going to agree to this. These talks will be about conventional weapons, full stop," a Western diplomat said. He added, however, that the issue might be resolved during the next round of talks which begin in mid-April.

Few delegates have such optimistic expectations about basket three. In the view of Western diplomats attending the often tortuous meetings, the Soviet Union and some of the countries in Eastern Europe are still unwilling to commit themselves to making specific references to subjects such as travel

"They don't want to put down on paper that people who are requesting permission, or have been refused permission to travel, should receive a reason and a reply within a certain period of time," a Western diplomat said.

On the questions of religious freedom, freedom of expression and the potentially explosive issue of minority rights of the minorities, which are all linked to basket one, Western diplomats say that "progress has been nil".

Other diplomats say that Mr Gorbachev's spirit of glasnost or openness has not yet filtered down to the Soviet delegation in Vienna, or for that matter, to the East German and Czechoslovak ones.

"In fact, the Soviet delegation is divided between the old school and the Gorbachev school which makes it difficult to sense how far they are prepared to compromise,"one seasoned CSCE diplomat said.

Diplomats also suggest that the East is unwilling to make any sort of committments because "they really do not know if the Soviet reforms will continue. They are still uncertain about Gorbachev's survival rate. Besides they themselves want to lower expectations about what they are prepared to concede on humanitarian issues."

Yet the Warsaw Pact does seem prepared to make concessions on humanitarian issues if it can get what it wants from basket two which deals, among other things, with economic cooperation and exchange of technology.

Some Warsaw Pact diplomats have argued at the meeting that if the West wants the peoples of Eastern Europe and the Soviet Union to have more access to information, then the West should agree to transfer satellite equipment and high technology to facilitate a freer flow of data.

The American delegation and others refuse to budge on this issue, principally because they argue that any transfer of technology would be channeled not into improving radio and television broadcasts, but into military and security areas.

Ultimately, Western diplomats at the CSCE argue, the Warsaw Pact is far more interested in getting the conventional stability Judy Dempsey on the Vienna talks that could give lead to a new forum for discussing disarmament in EuropeEast and West closer on arms, at odds over rightstalks off the ground than in making concessions on humanitarian issues.

"It is true the arms talks are moving ahead, but we will not hand these talks on a silver platter to the east. There must be a balanced outcome among all the three baskets. That was the original intention of the Helsinki final act. Once the linkage was broken, it would mean the end of the whole CSCE process and we are not prepared to abandon that," a Western diplomat argued. His words suggest that he next round of talks will be have to be hard and long-drawn out if any concluding document is to be signed.

FINANCIAL TIMES

Published by the Financial Times (Europe) Ltd., Frankfurt Branch, represented by E.Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter Societaets-Druckerei-GmbH, Frankfurt/Main. Responsible editor: G.D. Owen, Financial Times, Bracken House, Cannon Street, London EC4P 4BY. © The Financial Times Ltd, 1988.

FINANCIAL TIMES, USPS No 190640, published daily except Sundays and holidays. US subscription rates $365.00 per annum. Second-class postage and at New York NY and at additional mailing offices. POSTMASTER, send address change to: FINANCIAL TIMES, 44 East 60th Street, New York, NY 10022.

Argentina puts services plan to Gatt talks

BY WILLIAM DULLFORCE IN GENEVA

AN INTERNATIONAL agreement liberalising trade in services must ensure developing countries a larger share in that trade and provide for a transfer of technology, Argentina has told the group negotiating on services in Gatt's Uruguay Round.

The importance of the Argentine proposals submitted this week is that they are the first real effort to spell out the view of a developing nation. They fill the intellectual vacuum left by the negative attitude to the negotiations of several leading developing countries, notably India.

Mr Michael Samuels, head of the US mission to Gatt, described the Argentine paper as "a positive initiative which moves the negotiating process forward."

The way in which the concept of development is treated in the agreement is crucial, Argentina emphasises. It must allow for active participation by developing countries in services trades and ensure their capability to adapt to new circumstances.

Developing countries have to be ensured of access to the relevant technology. The agreement must provide for trade in services to be accompanied by undertakings to transfer technology, the Argentinians say.

Moreover, rules must be drawn up to make sure that legislation on intellectual property does not impose monopoly rights over the transfer of technology.

Provisions allowing countries to regulate services activities related to their economic development should be considered, Argentina urges. Developing nations should have an option to establish specific national policy objectives in individual service sectors.

Other points are:

- developing countries must be allowed activities aimed at stimulating exports of services.
- Advanced nations should facilitate imports of services from the Third World.
- Developing countries' need to import inputs for subsequent exports of similar or different services should be taken into account.
- Countries should have the power to regulate part of the flow of foreign exchange generated by specific projects connected with trade in services.
- Nothing in the agreement should hinder the promotion of joint ventures.

Shell in joint venture to buy Chile pulp mill

BY MAGGIE URRY

A PARTIALLY-completed pulp mill in Chile is being bought for $120.5m (£66m) by a joint venture company owned 60 per cent by Shell, the oil company, 20 per cent by Scott Paper, the US paper group and 20 per cent by Citicorp, the leading US bank.

The mill, in Nacimiento, was put up for sale by public offer because its owner went bankrupt. It is due to be completed in 1991 and will cost a further $200m to finish, according to Scott. It will produce 200,000 tonnes of eucalyptus kraft pulp each year.

The venture also has the option to buy nearly 16,000 hectares of forest land in Lota, Chile, mostly eucalyptus plantation, which could supply the mill.

Scott, which is keen to tie up dedicated supplies of pulp for its paper-making activities, said it might buy most of the pulp made by the mill. It is the largest manufacturer of sanitary tissue in the world, and eucalyptus pulp is ideal for manufacturing it.

Scott has control of 75 per cent of its pulp requirements. Mr Richard Leaman, president of Scott Worldwide, said: "We will continue to seek dedicated sources of strategic types of fibre around the world."

Shell, which has been involved in forestry in Chile for some time, said the deal would complement its existing forestry operation there. It has sawmills, pine forests and eucalyptus plantations.

Michael Donne on vital talks about collaboration between major US and European airliner manufacturers

Airbus and Douglas to probe joint challenge to Boeing

TOP EXECUTIVES of McDonnell Douglas of the US will arrive in the middle of next month in Toulouse for what could be make or break talks on the possibility of long-term collaboration between the US company and Airbus Industrie, the European airliner manufacturing group.

Mr John McDonnell, recently appointed chairman of McDonnell Douglas, and Mr Jim Worsham, president of the company's Douglas Aircraft Division, will meet Mr Jean Pierson, president of Airbus, to review progress on an intensive series of discussions by senior engineers and technicians of both groups seeking common ground for collaboration.

Contrary to some reports, those feasibility discussions were not initiated by the recent meeting of the ministers in charge of the Airbus programme. They had been in progress for several months, but were given vigorous new impetus by the ministers who were aware that discussions had been dragging.

According to Douglas, there is a new sense of urgency about collaboration on both sides. The US company believes such co-operation would help to compete with Boeing in world markets, especially against the 747 Jumbo, while Airbus maintains it could fill gaps in its family of aircraft, especially at the 100-seater end of the market.

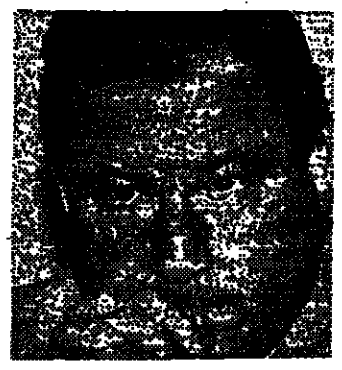
Douglas recognises the validity of the three basic conditions for collaboration outlined by Mr Pierson.

First it must not jeopardise current programmes – Airbus will not give up its A-330 twin-engined medium-range or its A-340 four-engined long-range ventures any more than Douglas intends to give up its competitive MD-11 medium-to-long range trijet on which production has begun.

Second it must be a 50-50 partnership, with neither side dominating the other, and thirdly any venture must be profitable.

Douglas concurs with these views, but admits that finding common ground is difficult. "We still have a long way to go", declares Mr Worsham bluntly. "But we are now beyond the point of skirmishing, and we are into good, serious discussions".

Both sides regard their talks as entirely separate from the discussions at a more political level between the European Commission and the US over the latter government's allegations of unfair subsidies to Airbus.



Pierson: three conditions

The two companies believe, however, that an agreement between them to collaborate could do much to defuse that dispute, although whether Boeing, which has been one of the principal complainants against Airbus, would accept that contention, or look benignly on any Airbus-Douglas link, remains to be seen.

Douglas has identified three broad areas of possible collaboration, that it feels answers the Airbus requirements, and which are the main subjects for the technical and feasibility discussions.

The first is a giant derivative of the MD-II called the "Super-Stretch", that would seat between 500 and 600 passengers (or even more in a double-deck high density version) and compete directly over medium to long distances with the latest Boeing 747-400 Jumbo jet.

Such an aircraft could use a stretched MD-11 fuselage with the Airbus A-340 wing, and would complement the A-340 and MD-11, being much larger than both of them.

Douglas is keen on this venture, but while it is anxious to win a partner for the project, it could develop the aircraft alone in its determination to end the domination of long-range markets by the Boeing 747.

"We are working out the costs on this one now", says Mr Worsham. "The deeper we get into it, the more attractive it looks."

The second area is collaboration on the smallest of the new revolutionary fuel-saving "prop-fan" aircraft that Douglas intends to launch this summer, the short-range MD-91 with 114 seats.

Mr Worsham stresses this is an area in which Airbus is not yet involved. He believes it could offer the European group a quick way into prop-fan technology without compromising any of its existing programmes.

The third possible venture could be joint development on a "stretched" Airbus A-320, raising its capacity from the 150 seats to 180-200. This could also be a prop-fan venture.

This would not interfere with the existing A-320 which is doing well in world markets, while enabling Airbus and Douglas to enter a new sector of the market although McDonnell is planning to do so with its projected MD-92 prop-fan.

Mr Worsham believes Airbus and Douglas are not in "head-to-head" competition in any of the three areas each of which would intensify competition for Boeing, which Douglas believes the airlines want.

But while hopeful, he stresses that there is still much to do before the top-level meeting in April. "We need a lot more internal discussion", says Mr Worsham, "but at least the Ministers' mandate is a serious move to encourage us to find a way of getting together on a win-win situation".

Such issues as market potential, costs and work-sharing are all being discussed along with engineering and technical feasibility.

Douglas wants to move as swiftly as possible, because it is anxious to start work on at least one of the proposed ventures – the 114-seater MD-91 prop-fan – this summer, and is pursuing ideas for the MD-11 "Super-Stretch" with US airlines, such as American. "We hope to have something constructive to discuss when we meet with Mr Pierson in April," says Mr Worsham. If that meeting produces satisfactory results, a proposal could go to the Airbus ministers for their endorsement later this spring.

Boeing of the US has won new jet orders worth close to $750m (£416m) from Lufthansa and Air France, writes Michael Donne.

Lufthansa has placed an order for 20 of the Series 300 135-seater and Series 500 98-seater Type 737 twin-engined short-range jets (the numbers of each type are yet to be determined), worth in all $535m, with an option on another 20.

This brings total orders for all versions of the 737 to 2,028 aircraft.

US, Soviet publishers in computer magazine deal

BY NANCY DUNNE IN WASHINGTON

THE liberalisation of US export controls and the Soviet Union's rules for joint ventures have resulted in a unique partnership between the world's largest publisher of computer-related publications and a state-owned Soviet publisher.

IDG Communications of Massachusetts has entered into a joint production agreement to publish a magazine on personal computers in the Soviet Union. The launch date will be June or July with an initial run of 50,000.

The journal, which will initially be a quarterly, will be the first publishing joint venture between a Soviet and Western company, according to Mr Axel LeBlois, IDG Communications corporate chairman. It will also be the first US magazine to be widely distributed in the Soviet Union.

The US lifted export controls on most personal computers only six weeks ago. A seminar held this week in Moscow by IDG and eight US software companies drew 400 participants, 10 times more than expected.

IDG, which publishes more than 90 magazines and newspapers in 34 countries, seemed the ideal choice to bring the first US publishing venture to the Soviet Union. In 1980 the company launched the first US-China joint venture – Computer World. Circulation had climbed to 70,000 by last year.

IDG introduced another version of Computer World into Hungary in 1986.

Under the terms of the new venture, the Soviet Partners - Radio i Sviaz, an electronics and communications publisher, and the Soviet State Committee for Publishing, Printing and Book Trade - will own 51 per cent of the publication, to be called PC World USSR.

IDG, with a 49 per cent stake, will provide a desktop publishing system for the journal and working capital. It will share 50-50 in the profits.

Rapid change unlikely in Canada's liquor practices

BY DAVID OWEN IN TORONTO

THE Gatt panel finding that Canadian provincial liquor boards contravene the trade body's rules is unlikely to spark rapid and substantive changes – at least as far as the country's beer marketing and distribution practices are concerned.

The Gatt panel ruled that Canada's provincial liquor boards contravened Gatt regulations with discriminatory mark-ups on imported beer, wine and spirits.

Ottawa intends to await the findings of a task force on inter-provincial trade before deciding how to proceed on beer. The task force is due to report in June.

But regardless of what the report recommends, Canada is likely to continue to object to meaningful changes in beer marketing practices on the grounds that any improved access for EC brewers would also have to be granted to their counterparts in the US.

While European brands account for less than 1 per cent of Canadian beer consumption, Canadian brewers fear that unrestricted access for US-brewed beer would spell disaster for the domestic industry.

In its recently-signed bilateral trade deal with Canada, the US agreed to the maintenance of current Canadian beer market barriers.

In the case of wine and spirits, Ottawa has undertaken to work with the provinces to change their liquor board practices as they relate to imports of European products. The industry is set to push for a longer phase-out period than is acceptable to the EC – at least in Canada's three wine-producing provinces.

The industry is preparing to counterattack by petitioning Ottawa to open negotiations with the EC on European wine subsidies and trade practices.

Canada must report back to the Gatt council by the end of the year on what steps it proposes to take to comply with the ruling.

French-Argentine group gets urea plant go-ahead

BY TIM COONE IN BUENOS AIRES

A DECADE-long battle for a contract to build a new fertiliser plant in Argentina has been resolved by a Presidential decree authorising a French-Argentine consortium to go ahead with a $80m (£44m) urea project in the Andean province of Neuguen. The French partners are Spie-Batignolles and Gran Paribas.

The plant will produce 100,000 metric tonnes of urea a year from the abundant natural gas supplies in the province, and will double present urea output in Argentina.

Some 30 per cent of the finance will come from the consortium, with the remainder reportedly being negotiated with the Interamerican Development Bank and the World Bank.

Annual urea consumption in Argentina is only 200,000 metric tonnes a year, but potential demand is three times greater than this.

The Presidential decision carries strong political undertones, as President Raul Alfonsin said last year that the disputed plant would be located in Neuquen "even if it is more costly" - as part of an electoral promise made in return for political support in the national legislature.

- Japanese interest in the development of the South Atlantic fishing grounds intensified this week with the offer of a $20mn grant to expand the Argentine fishing port of Puerto Deseado in the south of the country.

The Japanese International Co-operation Agency (JICA) is offering the grant to the Argentine Ports Authority to build a new 250-metre wharf at the port where there is growing congestion due to the boom in the South Atlantic fisheries.

Most of Argentina's deepsea trawler fleet which fishes in the South Atlantic now operates out of Puerto Deseado, as well as a growing number of Japanese vessels which fish mainly for squid in the region.

Contras prepare to move from armed to civic opposition

By Charles Castaldi in Managua

THE CEASEFIRE is likely to open a substantial political space for the Contras inside the Nicaraguan political system, changing the complexion of political debate considerably.

The Sandinistas enjoy tremendous political control and the internal opposition is fragmented and weak, but the Contras could inject life into a political debate over the nature of Nicaraguan society that seemed irrelevant in the midst of the seven-year-old fratricidal war.

Beyond the immediate aim of establishing a 60-day ceasefire, the agreement should transform the Contras' armed opposition into a civic one.

Once the Contras are concentrated inside designated ceasefire zones they will have acquired the right to send up to eight delegates to the so-called National Dialogue, a forum where the ruling Sandinistas and 11 of 14 opposition parties attempt to work out their differences, mostly over matters of principle.

So far, the National Dialogue has had an erratic life. The opposition parties have often boycotted it charging the Sandinistas with not being serious about making the necessary changes to render political debate in Nicaragua meaningful.

The dialogue was re-launched recently just as the latest round of peace talks were beginning. President Daniel Ortega presided over some sessions of the National Dialogue while his brother, General Humberto Ortega, headed the Sandinista delegation at the peace talks.

One Sandinista official involved with the peace talks said the timing was no coincidence: "We wanted them (the Contras) to see that if they agreed to put down their weapons they could immediately enter a meaningful political dialogue with the Government.

"And it was to be clear to them that this dialogue was the place to try to obtain the political concessions they insisted on obtaining in the talks," he said.

In fact, the ceasefire accord has left open sensitive political issues, such as private ownership of television stations and the suspension of the military draft. These can now be discussed in the National Dialogue.

While the Contras have not given much indication what parties they would join with in the dialogue, it is clear that most of the Contra leadership will re-integrate itself into parties gathered under a right-wing umbrella group, known as the Coordinadora.

Most of these parties abstained from participating in the 1984 elections, charging they were unfairly controlled by the Sandinista party-state apparatus. These parties have no representatives in the National Assembly, an elected body dominated by the Sandinistas.

All opposition parties in Nicaragua suffer from constant internecine battles, which leaves them fragmented and weak, complicating in turn the task of the Sandinistas in establishing a coherent dialogue with them.

The Conservative Party, one of Nicaragua's two traditional parties along with the Liberal Party, has four factions, whose differences seem to be more personal than ideological. Mr Adolfo Calero, the head of the Contra directorate, is expected to join one of the Conservative Party factions.

The effect of the return of the Contras into political life is bound to be somewhat contradictory. On the one hand, they will give a new edge and focus to political debate. On the other their presence will highlight the divisions that have plagued the opposition to the Sandinistas.

The Contras themselves have been seriously split by personal and ideological divisions and defections in their directorate and are far from a homogeneous group.

It will demonstrate just how much popular support not only the non-Sandinista parties enjoy, but also what sort of electoral base the Contras have, having been championed by the Reagan Administration as the true democrats fighting for Nicaragua's freedom.

he Sandinistas have promised all of these parties will be able to participate in municipal and presidential elections. With more favourable rules of the game for political struggle now almost a certainty, the opposition parties will be on the spot to show their true strength.

A first step towards the healing of deep divisions

Robert Graham assesses a deal which, in spite of Washington's role, has been a Nicaraguan one

EVERY Thursday morning for half an hour a group of demonstrators gather outside the American embassy in Managua to protest at US support for the Contra rebels. The demonstrators are a curious bunch – churchmen, Vietnam veterans, international volunteers helping the Sandinista regime, tourists and the odd Nicaraguan.

Gestures like this suddenly have become a hopeful irrelevance following the agreement on Wednesday of a 60-day ceasefire between the Sandinista regime and the Contras. It promises to be the first step in a long and complex process leading towards not merely ending a seven-year-old war but healing the deep divisions caused by the overthrow in 1979 of the Somoza dictatorship.

The Sandinistas with their mix of Marxism-Leninism, militant nationalism and liberation theology, have all along been painted as the villains of Central America by the Administration of US President Ronald Reagan. They have been depicted as cynical revolutionaries, out to destabilise Central America to the advantage of, and in league with, the Cubans and the Soviet Union.

Yet the televised ceremony on Wednesday at Sapoa, the small town close to the Costa Rican border where the break-through in negotiations occurred, was more than a mere propaganda exercise. Statements by both chief negotiators, Gen Humberto Ortega, the Sandindista Defence Minister and Mr Adolfo Calero, the Contra leader, had the ring of conviction and genuine hope.

To see the two men directly responsible for prosecuting a war, which has cost more than 26,000 lives, on the same platform and singing the Nicaraguan national anthem was remarkable in a region so sadly renowned for fratricidal violence. Such an image contrasted sharply with the grease-paint faces of the 3,200 US combat troops flown into Honduras last week on President Reagan's orders to ward off what the White House termed a Nicaraguan invasion.

Indeed the fact that the Sandinistas and the Contras could go ahead with their meeting at Sapoa in spite of Washington's beating the drum underlines an essential aspect of the agreement: the Contras' near-total dependence upon the US for diplomatic, financial and military aid has not produced a "gringo-dictated" deal but a Nicaraguan one.

The desire for a home-grown solution helped the five Central American leaders bury their differences and flesh out a peace plan for the region inspired by President Oscar Arias of Costa Rica. Their historic agreement last August at Esquipulas in Guatemala did not meet with Washington's entire approval because it gave legitimacy to the Sandinistas and called for an end to conflicts in the region, inter alia, through stopping external support for armed groups like the Contras.

Deal done: Nicaraguan government and Contra leaders after the ceasefire is signed

Esquipulas laid down a framework for peace through ceasefires, amnesties, negotiations with insurgent forces and a commitment to democratisation.

The Esquipulas timetables were wildly optimistic and have fallen badly by the wayside. Nevertheless the framework has been directly responsible for bringing the Sandindistas and the Contras together.

The Sandindistas would never have made the large number of concessions in recent months if they had appeared to have been dictated by Washington. Compliance with Esquipulas has been the excuse under which a dialogue has begun with the internal Nicaraguan opposition, the state of emergency lifted and press freedoms restored.

Superficially it might seem puzzling that Managua should accept to accommodate the Contras whose leadership is largely composed of ex-associates of Somoza and the latter's National Guard, or from disaffected Sandindistas. President Reagan's "freedom fighters" have been riven by divisions: their guerrilla army of 12,000 to 16,000 has failed to control a single strategic area of the country.

If the Contras have failed to make tangible military gains, the cumulative impact of the war has been considerable. The first serious Contra attack occured in late 1981 but fighting in earnest did not begin until a year later. Since then every aspect of life in Nicaragua has been affected by the war. The war has undermined the majority, if not all of the initial achievements of the Sandinistas revolution in agricultural production, health and education.

There has been a huge movement of population – refugees into Honduras and Costa Rica, and an influx from the countryside to the towns. Almost half the budget is being eaten up by war expenditure; production has been disrupted by the shortgae of labour due to conscription. The exchequer is virtually bankrupt.

The country is forced to beg and cudgel to find international aid, which has not been so readily forthcoming from the Soviet bloc as Washington pretends.

Of late, increasing symptoms of war-wearinesss have emerged – from protests against conscription to anger over shortages of basic foodstuffs and utilities such as water and electricity. Elements within the Sandinistas leadership have also become concerned by the growing militarisation of society with more than 70,000 permanently in the armed forces.

Given this state of affairs and clear indications that international aid will be renewed in large quantities only once a peace process had begun, the Sandinistas faced a stark choice: persist with a debilitating and increasingly unpopular war which could continue indefinitely and could in turn create internal divisions, or negotiate.

Over the past nine months President Ortega has put his personal prestige on the line, gearing everything to a negotiated outcome with a series of concessions.

By the time of the meeting this week at Sapoa he had gambled so much on the talks succeeeding that it is hard to see what his fall-back position was.

His one trump was the drubbing meted to the Contras in the 16-day offensive this month. It was the biggest offensive biggest of the war, taking advantage of the US congressional cut-off of aid to the Contras. Even with fully renewed US aid, which is unlikely, the Contras would probably require two years to recover.

Faced with the prospect of uncertain US support, the Contras have been arguing fiercely among themselves over whether to soldier on or negotiate at a time when they are still relatively strong.

Mr Calero, who controls the military arm, and his presence as lead negotiator at Sapoa indicates an acceptance that he will achieve more by operating inside the Nicaraguan political process. He and the Contras' only real concession is to give up the gun.

The Sandinista leadership has proved acute in sustaining itself in power and clearly believes it can still hold the ring. But if the peace process gathers momentum and the ceasefire broadens into a proper armistice, Nicaragua can no longer remain the one-party revolutionary state so feared by Washington and ostracised by its Central American neighbours.

Washington stunned at positive turn on most divisive foreign issue

THE INITIAL reaction in Washington yesterday to the ceasefire was stunned silence, writes Lionel Barber.

Few officials had dared predict that the first-ever direct talks between the two warring parties on Nicaraguan soil could take such an apparently positive turn. What is so striking is the contrast between the flexibility shown in Sapoa, where the talks were held, and the inertia characterising Washington's policy towards Nicaragua.

It is hard to think of a foreign policy issue which has divided the US more deeply during the presidency of Mr Ronald Reagan than that of Nicaragua; the policy paralysis of the last six months is largely a result of those divisions.

In spite of the presence of the regional peace plan devised by President Oscar Arias of Costa Rica, the Reagan Administration has stuck to the line it has pushed for the past seven years: that only a US-backed Contra guerrilla force can avert a communist beach-head in Nicaragua fomenting instability throughout the region.

This argument retains wide support in the US, in particular in the South, which is vulnerable to a refugee wave from Central America.

However, the Contra cause – unlike that of the Afghan rebels – has never captured the hearts of the American people, nor the US Congress which has swung like a pendulum on the question of US military aid. Many Democrats have voted for Contra aid to avoid being labelled soft on communism.

The Democrat victory in the 1986 mid-term elections, followed by the Iran-Contra arms scandal, itself a direct consequence of the bitterly partisan Nicaraguan policy, changed the nature of the game.

The scandal – revolving around a secret White House operation to trade arms to Iran in return for US hostages and to divert the proceeds to the Contras – crippled the Administration for at least nine months. Congress stepped into the vacuum.

The most striking example is the role of the House Speaker, Mr Jim Wright of Texas, who has turned himself into a mini-Secretary of State. It was the Spanish-speaking Mr Wright who, last August, inserted himself into the Central American peace talks to ensure that the Sandinistas came aboard.

Since then, Mr Wright, helped by Senator Christopher Dodd of Connecticut, a key member of the Senate Foreign Relations committee, has advised the Sandinistas on negotiating tactics, on the political landscape in Washington, and, to some extent, on the timing of domestic Nicaraguan political concessions.

Mr George Shultz, US Secretary of State, has called Mr Wright's activities extraordinary. However, Democrat supporters argue that their efforts were vital to keep the regional peace process moving – and the appearance of movement was largely instrumental in sinking President Reagan's $36m Contra aid package at the end of February.

The Reagan Administration's dispatch of 3,200 troops to Honduras – to counter a Sandinista incursion against Contra base camps – now looks like the last pitch for military aid.

On hearing the news from the Sapoa talks, a spokesman for Mr Wright said that the House of Representatives would draw up a package of humanitarian aid only – comprising food, medicine and clothes – possibly as early as next week.

The question which Mr Wright and others in Congress are asking, is at what point the US, the most powerful player in the region, will engage in the diplomatic dialogue?

Church to call on Gen Noriega to resign

BY DAVID GARDNER IN PANAMA CITY

PANAMA'S Roman Catholic Church is due shortly to call for the resignation of military leader General Manuel Antonio Noriega, raising its hitherto low profile in the Panamanian crisis to unprecedented prominence.

Church sources said the appeal would have the full backing of the hierarchy and clergy throughout the country, and had the blessing of the Vatican.

Since the crisis broke last June, the Catholic hierarchy, led by Archbishop Marcos McGrath, has been cautious, and has offered to mediate between the military-dominated regime and the opposition.

On November 1, it called for the departure from the Panama Defence Forces of officers who had passed normal retirement age, which would clear out Gen Noriega and his closest allies.

On March 9, in the wake of Gen Noriega's palace coup against figurehead President Eric Arturo Delvalle, Archbishop McGrath called for "the full and effective subordination of military forces to civilian authority," credible elections and the re-opening of opposition media.

But with the worsening of the crisis in the last three weeks, the Church believes if Gen Noriega clings to power Panama risks destruction as a nation-state.

Gen Noriega's regime was yesterday facing a further challenge, as Dr Ricardo Arias Calderon, leader of Panama's right-wing Christian Democrats, planned to fly into the country from exile in Miami.

Dr Arias was deported shortly after Mr Delvalle was deposed, and along with Panama's leading opposition figure, the 87-year old three times former President Arnulfo Arias, has since remained in the US.

On Monday night, Mr Manuel Solis Palma, appointed to replace Mr Delvalle by Gen Noriega, called for a dialogue of all Panama's political groups. He made their participation and a satisfactory outcome to the talks the two conditions for accepting the General's offer to step down, announced in the same speech.

The opposition rejected the offer but yesterday, leaders of former President Arias's Panamenista party indicated that Arnulfo, as he is known, was prepared to discuss the terms of a transition which he clearly intends to lead.

Tough going and slow progress at US-Soviet talks

Shevardnadze: to meet Shultz twice more before summit

BY LIONEL BARBER IN WASHINGTON

THREE DAYS of US-Soviet talks in Washington this week ended with little apparent progress on a planned long-range nuclear arms pact and a major dispute brewing over the terms of Soviet withdrawal of 115,000 troops from Afghanistan.

"It has been tough going," sighed a clearly exhausted Mr George Shultz, US Secretary of State, late on Wednesday night in the State Department briefing room. Seated in the wings, the veteran arms negotiator, Ambassador Paul Nitze, 81, agreed: "We made some progress, but it has been slow work."

Only the hyper-optimists ever imagined that major breakthroughs could occur on a subject as complex as the superpower plan to reduce their strategic nuclear weapons arsenals by up to 50 per cent. Progress, as the US Secretary of State stresses, is incremental - and that is the way the down-beat Mr Shultz likes it.

So it was that the only concrete result of the talks between Mr Shultz and his Soviet counterpart Mr Eduard Shevardnadze was a firm date for the Moscow summit. Whatever the state of the strategic arms reductions talks (START), President Reagan and the Soviet leader Mr Gorbachev will hold their fourth summit meeting from May 29 to June 2 in Moscow, the first visit by a US President to the Soviet Union in nearly 14 years.

The second most important achievement of the talks was a US-Soviet decision to produce three separate documents on the key issue of verification (protection against cheating), covering inspection of sites, elimination or conversion of weapons, and data exchange.

At present, each side has its own texts with differences signalled in bracket form; now comes the difficult stage of "bracket elimination."

In another development, which could prove more significant in the longer-term, the US and the Soviet Union also agreed to work on a space weapons treaty separately from a START agreement.

A senior administration official said this would allow negotiators to tackle separately the difficult question of research, testing and development of the Strategic Defence Initiative, the mostly space-based missile defence shield, as permitted under the 1972 ABM Treaty. The official stressed that this does not mean the Soviets have dropped their linkage of the two issues, but it at least allows them to be divorced procedurally.

The aim is to reduce the ambiguities rendered by last December's Washington summit declaration which in effect said both superpowers agreed to disagree on their interpretation of the ABM Treaty. The Soviet threat to withdraw from a START agreement if the US violates the ABM Treaty appears to have drawn blood. "We need to resolve the differences on SDI," said one official, "or else they they could hold a Sword of Damocles over a START agreement."

All this - and a Soviet slowdown on a deal to sign modifications to existing nuclear testing treaties - underlines how difficult it is to pin down a superpower pact. And it confirms why Mr Shultz has agreed to meet Mr Shevardnadze on two more occasions, once in Moscow from April 21 to April 25 and again in May in an unspecified location (perhaps Geneva) before the Moscow summit.

More important, the failure to make progress on Afghanistan - the most serious regional conflict at issue between the superpowers - looks to be a dangerous omen.

The US called for Washington and Moscow to impose a moratorium on military aid to the Afghan rebels and to the Kabul regime, starting upon Soviet withdrawal and continuing for three months after the withdrawal ends. The Soviets rejected this outright.

Mr Selig Harrison, a South Asia expert and senior associate at the Carnegie Institute in Washington, said the lack of agreement on Afghanistan between Mr Shultz and Mr Shevardnadze meant that the United Nations sponsored peace talks in Geneva were "all but dead".

Personal savings rise strongly in US

BY ANTHONY HARRIS IN WASHINGTON

PERSONAL savings in the US rose strongly in February, coming close to the high figure established in October in the wake of the stock market crash, according to figures published by the Bureau of Economic Analysis yesterday.

Over the last three months, savings have averaged 4.8 per cent of disposable income, compared with 4.3 per cent in 1986 and 3.7 per cent in 1987. This implies that consumer spending will be $30bn a month less than in 1987 in relation to personal incomes.

The rise in savings appears partly to be a response to an unusually strong rise in personal incomes. In January and February incomes were nearly 6 per cent higher than the 1987 average, reflecting principally rises in wages and transfer payments.

Investment income has been rising only slowly. Lower payments of personal tax were more than offset by a rise in social security payments, following a rise in the tax rate, but disposable incomes rose in line with total incomes.

Consumer spending, which was weak in January, recovered with a $22.4bn increase. This reflected the recovery in car sales, but spending on non-durables also rose by $2.2bn, after falling in January. These figures appear to be in line with reports of a stronger than expected car market.

The rise in consumer saving has implications for import demand, but the rise in total private saving is likely to be less than the personal figures might suggest.

Argentina strike goes on

BY TIM COONE IN BUENOS AIRES

ARGENTINE teachers rejected a pay offer on Wednesday as their strike entered its tenth day.

The teachers are demanding a minimum monthly rate of Aus770 ($120). The government offered Aus550 (up from a present average of Aus425), with a phased increase to Aus700 in two-thirds of the 22 provinces.

Last week, Education Minister Mr Jorge Sabato said the government lacked resources to meet the teachers' demands. He said the rise would create inflationary pressure, as teachers' salaries comprised 25 per cent of government spending on personnel.

The problem is compounded by the fact that 80 per cent of teachers are paid by provincial governments, which face a financial crisis.

Reagan aides deny charges in Iran arms case

PRESIDENT Ronald Reagan's former national security aides Oliver North and John Poindexter and two associates pleaded not guilty yesterday to all criminal charges in the Iran-Contra scandal, Reuter reports from Washington.

The charges stemmed from a 23-count indictment returned by a federal grand jury last week in a scandal that involved secret sales of arms to Iran, the diversion of proceeds to Nicaragua's Contra rebels and alleged efforts to obstruct inquiries.

The indictments on charges of fraud, theft of government property and other criminal acts named North, the fired White House aide accused of carrying out the scheme; Poindexter, who was North's boss and Reagan's national security adviser; retired Air Force Major General Richard Secord; and businessman Albert Hakim.

US District Judge Gerhard Gesell ordered the defendants to be freed without bail and told them to phone court authorities once a week.

Ex-army officer escapes from Paraguay police

LATIN America's longest-serving political prisoner, Napoleon Ortigoza of Paraguay, succeeded in escaping police custody on Wednesday and sought asylum in the Colombian Embassy in Asuncion, the Paraguayan capital, writes Tim Coone.

Mr Ortigoza last December completed a 25-year sentence for the alleged murder of a police cadet in 1962, a charge he was forced to admit to under torture, and which his supporters say was used to silence him as an opponent of the dictatorial regime of General Alfredo Stroessner. At the time of his imprisonment Mr Ortigoza was a captain in the Paraguayan army.

He was released from prison last December, but has been under house arrest since then, according to members of the principal opposition party, the PLRA, which helped organise yesterday's escape. The government has denied that Mr Ortigoza was under house arrest.

IMF director's plan would lift debt weight

Steven Fidler on a proposal for a new Debt Adjustment Facility to assist developing countries

A NEW APPROACH towards providing a solution to the Third World debt crisis has been proposed by one of the International Monetary Fund's 22 executive directors.

The plan, which calls for the establishment of a so-called Debt Adjustment Facility, ideally to be created under IMF auspices to take over developing country debt from commercial banks, has been developed by Mr Arjun Sengupta.

Although India's representative on the board, Mr Sengupta is putting forward the proposal in a personal capacity. It does not have the support of the IMF, whose current position, as determined by the industrialised countries and in particular the US, is to oppose an extension of its role in the way the proposal suggests.

Mr Sengupta's plan, which avoids some of the apparent pitfalls of earlier grand solutions, is predicated on the belief that there will be no solution unless some of the weight of debt is taken off the shoulders of the developing countries.

"Economic conditions . . . have altered so much from those prevailing in the late 1970s that a large part of the debt contracted at that time by these countries is no longer serviceable," he says.

The role of the debt adjustment facility, or DAF, would be to negotiate with both creditor banks and the debtor country to establish two things: the amount of bank debt to be assumed by the facility and the discount to face value at which the debt should be valued.

The discount on the debt would be arrived at with reference to prices in the secondary market in Third World debt, but the market would not be the sole determinant.

Banks would transfer the agreed amount of loans to the DAF, writing off the amount of the discount, but receiving in exchange bonds, with a maturity of 15 to 20 years and a face value equivalent to that agreed in negotiations.

The DAF would pass on this discount to the debtor, convert it into new debt to the facility with a new repayment schedule. As trade-off for the relief, the country would agree to follow an economic policy package, perhaps of three to four years' duration, as agreed by the IMF.

In case the country did not meet interest or principal obligations, the facility would take responsibility for it.

Mr Sengupta suggests that this would be a contingent liability on the industrialised countries, which could be handled in the following way. Industrial nations could issue zero coupon bonds in case principal were not repaid, or could invest in annuities to collateralise interest payments of the debt countries. Only if the interest or principal payments were not met by the debtor countries would these funds be called upon. Alternatively, debtor countries could set aside some reserves to create annuities to collateralise interest.

In this way, Mr Sengupta's plan would avoid the requirement for a huge capital injection to a debt-purchasing agency by western countries, which is a feature of other large-scale solutions such as Mr Robinson's.

Mr Sengupta says creditor banks may be more inclined to return to voluntary lending because their exposure to the countries would have fallen and the market value of their remaining debt would have increased. Flows of funds to the debtor countries would be further enhanced by lending from multilateral agencies such as the World Bank.

In an apparent attempt to make the idea more palatable to the US, Mr Sengupta suggests that industrialised countries in surplus, such as Japan, could take on more responsibility for support of the facility.

Sudan in a war it cannot afford

Victor Mallet looks at divisive political infighting with no end in sight

"SUDAN," SAYS a report by the United Nations Children's Fund, "is big, poor and very hot." Like three of its neighbours in this unstable, hungry corner of Africa, Sudan is also embroiled in a civil war it can little afford.

The reverberations of the long-running conflict between north and south, between Moslem and Christian, are increasingly being felt in the capital Khartoum after a string of military successes for the southern rebel forces led by Colonel John Garang.

More ominously, the war seems to have attracted growing international attention from Arab states eager to help the Islamic north, and from African leaders intent on supporting their fellow black Africans in the south.

With military backing from Ethiopia and tacit assistance from Kenya, Col Garang's Sudan People's Liberation Army (SPLA) has ended the dry season in a position of strength.

In January SPLA forces captured and held Kapoeta, the government's most easterly garrison town in the south, in an attack which has strengthened their grip on the area around the southern capital Juba.

Last year they struck northwards in what may have been a diversionary raid and captured Kurmuk and Qaysan near the Ethiopian border. They were dislodged only by a heavy Sudanese

counterattack funded and equipped by Arab states, including Iraq and Saudi Arabia.

Since Sudan's civil war was reignited in 1983 after an 11-year lull, SPLA leaders have been demanding the abolition of Moslem Sharia law and a better economic and political deal for the south.

That task has been made easier by recent events in the western province of Darfur, where Sudanese forces have done little to stop the comings and goings of Libyan-backed militiamen trying to infiltrate into Chad. The resulting insecurity, worsened by Chadian counterattacks and by cross-border banditry, has angered the inhabitants of Darfur.

Mr Sadiq el-Mahdi, Sudan's Prime Minister, has the unenviable job of trying to make the peace which the country's 25m people so desperately need. He may not have the necessary strength.

Following the overthrow of President Jaafar Nimeiri in 1985, Sudan has developed into a democracy which thrives on freedom of speech but lacks clear direction and strong leadership.

A simplified diagram of Khartoum politics shows the traditional power of two Moslem families. One is the Mahdi family, leading the Ansar religious sect and the Umma Party, and well-disposed towards Libya. The other is the Mirghani family, linked to the Khatmiya sect and the Democratic Unionist Party, and friendly with Egypt.

The Umma Party and the DUP have been in a flimsy coalition government since the 1986 elections. On the sidelines are the increasingly influential Islamic National Front (INF), a gaggle of southern politicians, and the communists.

The prime minister, politically besieged by Moslem hardliners and grappling with controversies over events in Darfur and the recent establishment of Iranian and Libyan cultural centres in Sudan, is himself as much an Islamic religious figure as a national politician. He seems unable to fulfil his promise to abolish Sharia and return decisively to the secular constitution prevailing before 1983. Instead the issue of the religion and the state has been deferred to a proposed constitutional conference.

Sudan's economy, saddled with more than $10bn of foreign debt, dependent on foreign aid and exports of cotton, can barely afford the expense of the civil war and the bad publicity surrounding the conflict.

The Sudanese are suffering, in their millions. "What one is seeing in the south is the destruction of the pastoralist economy," says Mr Mark Duffield of Oxfam in Khartoum. "The war is having a devastating impact on what was before quite a strong economic and social system."

Israelis seize hundreds in raids on Palestinians

BY ANDREW WHITLEY IN JERUSALEM

ISRAELI troops and police have rounded up hundreds of second rank Palestinian activists in the past few days. Most of them are expected to be detained without trial for the next six months.

Among those held after raids in East Jerusalem and the West Bank are said to be the authors of the latest clandestine leaflet from the underground leadership of the uprising.

Mr Haim Bar-Lev, the Police Minister, said he believed that all those behind leaflet number 11, which called for increasing violence against Jewish settlers and the "occupation forces", had been arrested.

Lieutenant-General Dan Shomron, Chief of Staff, said the new security measures were beginning to show results; while Defence Minister Mr Yitzhak Rabin said during a tour of Gaza that the demonstrations had been brought to an end.

The Defence Minister told parliament earlier this week that 3,000 Palestinians were in detention as a result of the uprising, a figure Palestinian lawyers believe to be highly conservative.

The Jerusalem Post reported yesterday that about 350 people had been placed in administrative detention – arrest without trial – for six months, normally the maximum period. Among those known to have been picked up over the past week are the chairman of the governors of Hebron University, Dr Nabil Ja'bari, who had no previous political record, and the vice chairman of the Gaza Bar Association, Mr Mohammad Abu Shaban. Mr Abu Shaban had himself been compiling a list of those being detained in army prison facilities.

Troops armed with lists of suspects provided by the Shin Bet security police swept through a number of West Bank villages overnight on Wednesday, arresting dozens of people. New relaxations on judicial procedures give local military commanders the freedom to detain individuals for long periods on their own authority.

In East Jerusalem yesterday, the security forces erected road blocks at strategic junctions and checked the occupants of all passing cars. Palestinians were taken out and questioned. Senior Israeli officials are basking in satisfaction at the apparent success of the blow they have struck against the 15-week-old uprising.

Ten die in bomb raids on Abu Nidal training camp

BY NORA BOUSTANY IN BEIRUT

ISRAELI fighter jets dive-bombed guerrilla targets north-east of Sidon yesterday for the second day, bringing the casualty toll to at least 10 dead and 20 wounded.

The strikes, the fourth this month, hit a military training camp run by Abu Nidal's Fatah Revolutionary Council, where teenage girls were undergoing small arms training. The Council has been expanding its activities in Palestinian camps

The aircraft also demolished an arms depot and a base for the Marxist-oriented Democratic Front for the Liberation of Palestine.

The attacks raised fears of an Israeli backlash into southern Lebanon in reaction to the increased militancy of the Palestinian population inside Israel. Observers said the air strikes were the most intense since the Israeli invasion of 1982. The raids triggered an exodus of panic-stricken villagers towards the densely populated port of Sidon.

With export growth at 40 per cent a year, Seoul fears that overheating will lead to inflation reports Maggie Ford

S Korea hunts for an economic brake lever

LIFE HAS been tough for harassed officials at South Korea's central bank for the past month. Dinner dates have been cancelled and long hours worked in an effort to make the figures add up.

After two weeks, the officials finally nailed the culprits behind an apparently inexplicable, and seriously inflationary rise in the money supply.

It was another artful dodge by the South Korean companies and foreign banks, a new and more undetectable method of getting round the Government's restrictive rules, using options contracts and currency futures.

The bank immediately clamped down on that wheeze, but its underlying problem remains – howto avoid overheating in an economy where growth is repeatedly in double figures and where surpluses have suddenly replaced chronic deficits on the current account.

There is, it seems, no stopping South Korean exporters. Despite protectionist threats, anti-dumping action, country-wide labour strikes and appreciation of the won currency, they boosted their exports last year by 36 per cent.

In January this year, the year on year rise was 38 per cent,and the February rise appeared likely to reach 41 per cent.

Imports are rising at a lower rate, allowing South Korea last year to record a current account surplus of $9.8bn, compared with $4.6bn in 1986.

The forecast issued by officials at the Economic Planning Board last Christmas for the economy in 1988 has already been revised upward.

Exports, originally forecast at $52bn, are now put at $55bn, the current account surplus forecast has moved from $6bn to $7bn, and total gross national product has risen from $140bn to $150bn (a per capita increase from $3300 to $3500).

Officials are, however, sticking to their original targets of 8 per cent growth (compared with 12 per cent for the last two years) and 4 to 5 per cent inflation,compared with a little over 3 per cent for most of last year.

Therein lies the problem for the central bank – and an apparent opportunity for foreign traders.

For the two main methods of dealing with overheating and the current account, South Korean economists believe, are to open the market wider, especially to lower priced imports, and to appreciate the won more quickly, thereby making imports more competitive.

Announcing a plan to give a new deal to the consumer in the "current account surplus era," Mr Rha Woong Bae, Economic Planning Minister, said recently that support for domestic industry with high tariffs and pricing policies was no longer sensible.

The Government would promote imports of consumer goods whose prices were lower than domestic products and would reduce tariffs. The authorities have already announced the acceleration of a plan to open the market to products which were formerly banned, such as small cars.

The new policy would also help ease trade disputes with South Korea's trading partners, Mr Rha said.

Observers remain sceptical about the Government's sincerity over opening its markets, although there is some evidence that progress has been made, mainly after strong US pressure.

But while allowing more imports ought to help stem the current account surplus, reducing the inflationary trend will be much more difficult.

Apart from the wiles of the foreign banks, officials must also contend with a surge of inflationary expectations. Since the presidential election last December, the stock market has risen by more than 30 per cent as investors rushed to gather certain profits.

Land and apartment prices have gone up by at least 20 per cent, both for residential homes and in areas where the new President promised to spend development funds.

Koreans resident overseas, especially in the US, have sent cash home to take advantage of the appreciating won, bank interest rates which remain at the high level of 11 per cent to boost the savings rate, and the promise of speculative gains.

Transfers from abroad almost doubled in January compared with the same month last year.

Large pay rises of up to 20 per cent awarded last autumn following nationwide labour unrest have also injected substantial sums into the economy, along with the cash spent before the election, which appears to have totalled more than $1bn.

This year's pay rises, expected to be in the 15 per cent range are due now, and will be followed by another election, this time for the National Assembly. The need for the ruling party to be sure of support from farmers may be one reason for the spiralling costs of vegetables, a major cause of food price inflation, although a winter drought may also have contributed to the rise.

The Bank of Korea's attempts to keep the lid on the inflationary spiral have concentrated in the past on the issuing of millions of monetary stabilisation bonds to institutions, which are required to buy them. But as the interest becomes due on the bonds, they too are adding to inflationary trends.

Last week the bank and the economic ministries announced a series of measures, including a 10 per cent cut in energy prices, a freeze on rail fares, postal charges, sewage and water rates and a 3 per cent drop in electricity charges.

Taxes on consumer products such as television sets are to be reduced and real estate speculation is to be curbed. Along with a number of financial measures announced earlier, the Government hopes these measures will hold the rise in consumer prices to 5 per cent over the year.

It has good reason to be concerned. For in advance of an election, even one that is not attracting much interest, people's views must be taken into account.

A recent newspaper poll put price stability right at the top of the list of the Government's chief tasks, with time honoured political issues such as ending corruption, introducing press freedom and even the success of the 1988 Seoul Olympic Games trailing far behind.

Egyptian minister rejects IMF deadlock accusation

A KEY Egyptian cabinet minister yesterday rejected suggestions that the country's agreement with the International Monetary Fund (IMF) was foundering and said the Government was committed to making it work, Reuter reports from Cairo.

Mr Atef Ebeid, minister of cabinet affairs and a top economic aide to President Hosni Mubarak, said the two sides disagreed on two reforms – whether to raise domestic interest rates and how fast to unify exchange rates to a market level.

But the dialogue would continue and Egypt intended to agree with the IMF on action to follow up their standby credits accord signed last May.

"The dialogue is on, it will continue. We intend to continue and we intend to agree with the IMF," Mr Ebeid.

Slow-moving talks with Western creditor governments to reschedule payments up to next June 30 on Egypt's $43bn foreign debt would eventually be completed, he said.

Egypt would seek a fresh Paris Club accord to reschedule payments from July 1 "unless we get a considerable increase in our resources like the oil price going up to 1985 levels," said Mr Ebeid.

Mr Ebeid said a review by IMF experts of Egypt's performance, which started this month, would continue next week. Mr Salah Hamid, Central Bank Governor, would go to Washington on April 14.

S Korea lawyers may widen corruption probe

SOUTH KOREAN prosecutors were yesterday considering widening an investigation into official corruption to cover the entire seven years that former President Chun Doo-hwan was in power, AP reports from Seoul.

Prosecution officials, who declined to be identified, said their investigation of embezzlement, fraud and influence peddling involving the Saemaul development movement may be expanded to probe other possible wrongdoings.

Since Monday, prosecutors have questioned more than 200 Saemaul and Government officials.

S African mine taken to court over platinum fees

A TRIBE in a South African black homeland yesterday started a court action against the world's second biggest platinum mine because it is unhappy with its royalties from the mining company, Reuter reports from Johannesburg.

The Bafokeng tribe, which owns most of the land mined by Impala Platinum in the homeland of Bophuthatswana, started legal proceedings demanding that the South African company furnish it with sensitive financial information on mining production.

Bophuthatswana, best known for its Las Vegas-style gambling resort of Sun City, is one of 10 tribal homelands created by Pretoria for blacks under its apartheid racial segregation system. No country except South Africa recognises the homelands as independent states.

The Bafokeng claim that Impala has breached the terms of a 10-year-old mining lease agreement with the tribe and is calling for termination of the lease if the company refuses to disclose the information.

In terms of the 1977 agreement, the Bafokeng are entitled to 13 per cent of Impala's taxable income, and they say they are dissatisfied with royalties received from the company.

General Mining Union Corporation, the giant mining house which owns Impala, announced it would defend the action in the Bophuthatswana Supreme Court.

Nigerian debt deal could be at risk

BY MICHAEL HOLMAN

THE NIGERIAN Government has opened the latest round of its complex debt rescheduling exercise amid growing fears among creditors that uncertain oil prices and policy differences with the International Monetary Fund (IMF) could jeopardise the country's economic recovery programme.

Last week in London Nigerian officials, led by Finance Minister Mr Chu Okongwu, won a temporary respite when the London Club of commercial bank creditors agreed to roll over for 90 days repayments on $1.2bn of loans falling due in 1988 and 1989.

But a further indication of the country's acute foreign exchange difficulties emerged when Nigerian officials also sought to postpone service payments on $2.85bn in letters of credit, which had been subject to a rescheduling agreement signed last November.

Although details of Nigeria's requests have not been disclosed, it is known that the Government is seeking rescheduling terms which extend payment of debts falling due in 1988 and 1989 over 25 years - a proposal described by bankers yesterday as unrealistic.

Nigeria's total external debt is $27bn, and over 90 per cent of export earnings come from oil. The 1988 budget anticipates oil earnings of $5.5bn this year (20 per cent less than 1987), based on a price of $16 per barrel - regarded as optimistic by oil analysts. Non-oil receipts are put at $1.2bn, which many economists believe is too high.

Critical to Nigeria's debt rescheduling efforts, which in turn are central to the country's economic recovery programme launched in 1986, are relations with the IMF. Creditors have made an agreement between the Fund and the Government on economic policy a precondition to rescheduling. The last agreement expired in January, and talks in Lagos last month on a new understanding ended with the two sides far apart. A further round is expected to begin shortly.

The most serious difference is the Fund's insistence that domestic fuel prices be raised, a highly sensitive political issue.

In the absence of an agreement with the Fund, vital new money is being delayed including a $320m commercial bank loan,a proposed $200m balance of payments support loan from Japan, and disbursement of the first tranche of a World Bank structural adjustment loan of $500m. It also further delays the resumption of export credit cover to Nigeria by western governments.

Botha criticised for halting army murder case

By Jim Jones in Johannesburg

PRESIDENT P.W. Botha's intervention to prevent the trial of six South African soldiers on charges of murdering Mr Immanuel Shifidi has been criticised by politicians, journalists and lawyers.

Mr Botha halted proceedings against the six, who are accused of murdering Mr Shifidi, an activist of Swapo, the organisation fighting for Namibian independence.

Yesterday Mr Dave Dalling, the Progressive Federal Party's law spokesman, said there could not be one law for the defence force and another for the government's opponents.

Mr H.P. Viljoen, chairman of the general council of the Bar of South Africa, said the intervention "creates the impression two standards of obedience to justice exist – one for ordinary citizens and another for members of the security forces."

The Star newspaper carried a cartoon depicting President Botha weighing the Sharpeville Six against the army men. The caption read: "Six of one – half a dozen of the other."

His intervention was based on a law protecting members of the security forces from prosecution for a crime if they acted to combat terrorism.

India puts its faith in Sikh high priests to curb Punjab violence

John Elliott talks to India's Home Minister about his high risk strategy to curb the killing

THE INDIAN Government is adopting a carrot-and-stick approach in a fresh attempt to stem growing Sikh violence in the troubled northern state of Punjab. After years of seemingly insoluble conflict ministers are now planning to tighten security along Pubjab's borders with Pakistan to try to curb gun smuggling, while hoping that militant High Priests recently released from jail will act to reduce the number of killings.

Yesterday saw another 10 killings, including a Hindu priest, bringing the toll in the Punjab to more than 400 so far in a year which has seen a sharp escalation of violence culminating this week in rocket launchers being used for the first time by Sikh extremists.

Mr P Chidambaram, Minister of State for Home Affairs and a confidante of Mr Rajiv Gandhi, Prime Minister, said in an interview yesterday the central government was showing flexibility and firmness. "We are taking a calculated risk that our moves will create a climate in which the high priests can bring some influence to bear on the extremists," he said.

"We hope that the priests will issue an edict or order to stop the terrorist killings of innocent people. We also hope the priests will ensure that gurdwaras (Sikh temples), including the Golden Temple in Amritsar, are no longer used as sanctuaries for the extremists. If they did this then a new climate could develop."

Mr Chidambaram admitted the five priests had not given any pledges to the government before ministers took a controversial decision early this month to release them from prison, along with 40 other Sikh extremists, in an attempt to break the cycle of violence.

At the same time the government demonstrated its frustration with moderate Sikh politicians by dissolving their previously-suspended Punjab State assembly, which opens the way for the militants to come to power later.

Mr Chidambaram rejected criticisms voiced in India that the government should not have abandoned moderate leaders in the old Punjab state assembly in favour of militants. He said: "The so-called moderates have run away from the battle. If you run away and have no influence over the militants, then being a moderate is of no consequence."

The priests have so far responded to the government initiatives by starting talks with extremist groups and by refraining from using the Sikh independence slogan of Khalistan.

The government has also strengthened its security powers in a bill passed by Parliament on Wednesday night, despite strong objections from opposition parties which say it contains draconian emergency measures. The bill contains enabling powers for a state of emergency in the Punjab. It also allows for presidents's rule, that is the direct rule from Delhi which has operated in Punjab since last May, to continue for three years.

There are no immediate plans to introduce a state of emergency but this could be done, either in all or part of the state. First however the government is preparing a plan for new administrative regulations and security operations along the border with Pakistan, which has traditionally been a centre for extremists. Mr Chidambaram said this was "our most vulnerable area".

A Foreign Ministry spokesman yesterday said that the Pakistan Government "facilitates the supply of arms to the militants and is responsible for motivating and training the militants and for inciting them to violence".

Kenya Vice President demoted

KENYAN President Daniel arap Moi demoted Vice President Mwai Kibaki and appointed Deputy Science and Technology Minister Josephat Karanja to take his place in a cabinet reshuffle, Reuter reports from Nairobi.

Voice of Kenya radio yesterday said Mr Kibaki, who had been Vice-President since President Moi came to power, was demoted to Minister of Health. Moi's decision followed rumours of a rift between the two men.

Protocol signed

THE Soviet Union and the Philippines yesterday agreed to annual political consultations, Reuter reports from Manila.

The agreement was announced during a meeting between Foreign Secretary Raul Manglapus and Soviet Deputy Foreign Minister Igor Rogachev.

Mr Manglapus and Mr Rogachev signed a two-page protocol calling for annual consultations alternately in Manila and Moscow. The talks will include bilateral and international issues, with the agenda and level to be determined during consultations.

Kinross acquittals

Seven officials from South Africa's Kinross gold mine, where 177 lives were lost in September 1986, were yesterday acquitted of a charge of culpable homicide for causing the disaster, Jim Jones writes from Johannesburg.

The Witbank magistrate said the officials could not have foreseen the "catastrophic situation."

Gulf missile strikes

Iraq and Iran yesterday exchanged missile strikes, with heavy casualties reported in Tehran as Baghdad warned it would keep up the blitz, Reuter reports from Nicosia.

Iraq said it fired six missiles in six minutes at Tehran around mid-morning yesterday and the Iranian news agency said at least 10 people were killed and 100 injured.

No talks on Spratlys

CHINA yesterday rebuffed Vietnam's call for talks on the disputed Spratly Islands in the South China Sea, Reuter reports from Peking.

The official New China News Agency said China had handed Hanoi's ambassador in Peking a note reiterating its claim to sovereignty over the islands.

"For Vietnam to put forward the so-called negotiation proposal now can only serve to show its hypocrisy once again," it said.

Tony Walker analyses the memorandum of understanding on defence initialled in Washington this week

Egypt passes US milestone in arms reorganisation

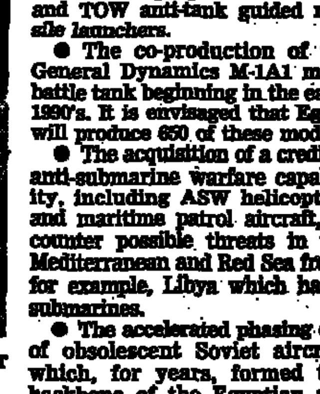
THE MEMORANDUM of understanding on defence initialled this week in Washington by Field Marshal Abdel Halim Abu Ghazala, Egypt's powerful Defence Minister, and Mr Frank Carlucci, the US Defence Secretary, is a milestone in military co-operation between the two countries and in Egypt's current reorganisation of its military establishment.

A continuing high level of US support is vital to this rationalisation, the Egyptians argue. By agreeing to give Egypt special status as a non-Nato ally, Washington has allowed the Cairo government access to more sophisticated defence equipment and given it special rights to bid on US defence contracts. The US accorded the same status to Israel last year.

During his talks in Washington this week, Field Marshal Abu Ghazala was out to obtain a bigger aid allocation beyond the approximately $1.2bn grant the US provides Egypt annually. He was also keen to ensure that Congress places no barriers in the way of a co-production arrangement under which Egypt is proposing to assemble the General Dynamics M-1A1 battle tank at a factory now under construction near Cairo.

Egypt's second Five Year Defence Plan (1988-92) makes it clear that apart from hastening the transition of a military whose stock weapons are Soviet to one equipped predominantly with American arms, the other main priority is to streamline the Egyptian armed forces.

By the end of the second Five Year Plan, Egypt intends to reduce numbers engaged in active military service to 350,000. This would be less than half those in uniform in 1974, one year after the Yom Kippur war. The size of the army would be scaled down to 250,000 in 1992, compared with about 300,000 today. A document circulated for lobbying purposes to influential figures in Washington in late 1987, said the decision to reduce the size of the military "clearly reflect Egypt's plans to create smaller and high technology land forces which are structured for deterrence and defence, rather than offensive capability." The latter observation is part of a continuing attempt by Cairo to convince American congressmen



Abu Ghazala: will press for assistance to defence industry

concerned about Israel's security that Egypt's desire to secure from the US additional financial support, and access to sophisticated equipment is for non-belligerent purposes. Priorities outlined in the Egyptian defence document include:

- The creation of smaller, but more advanced technologically, anti-tank guided missile and artillery forces, and the improved mechanisation its land forces built around a "cadre" of American-supplied M-60A3 tanks, 155mm self propelled howitzers and TOW anti-tank guided missile launchers.
- The co-production of the General Dynamics M-1A1 main battle tank beginning in the early 1990's. It is envisaged that Egypt will produce 650 of these models.
- The acquisition of a credible anti-submarine warfare capability, including ASW helicopters and maritime patrol aircraft, to counter possible threats in the Mediterranean and Red Sea from, for example, Libya which has 8 submarines.
- The accelerated phasing out of obsolescent Soviet aircraft which, for years, formed the backbone of the Egyptian air-force. By 1995 Egypt hopes to achieve a "high-low" mix of advanced aircraft such as the F-16 and Mirage 2000 supported by the less sophisticated Chinese versions of the MIG 19 and 21.
- The replacement of much of Egypt's kit of Soviet surface-to-air missile (SAM) launchers with American and French systems, principally the Hawk and the Crotale.

The defence document states that one of Egypt's most pressing tasks is to rid itself of "obsolescent and increasingly inoperable Soviet equipment," including tanks, artillery weapons, missile launchers and aircraft. "Egypt has . . . found that even the most draconian efforts to convert its Soviet equipment to use Western parts, or to manufacture such parts in Egypt, have had limited success," the document says. "The costs are simply too high, and the expected equipment life cycle remains too low."

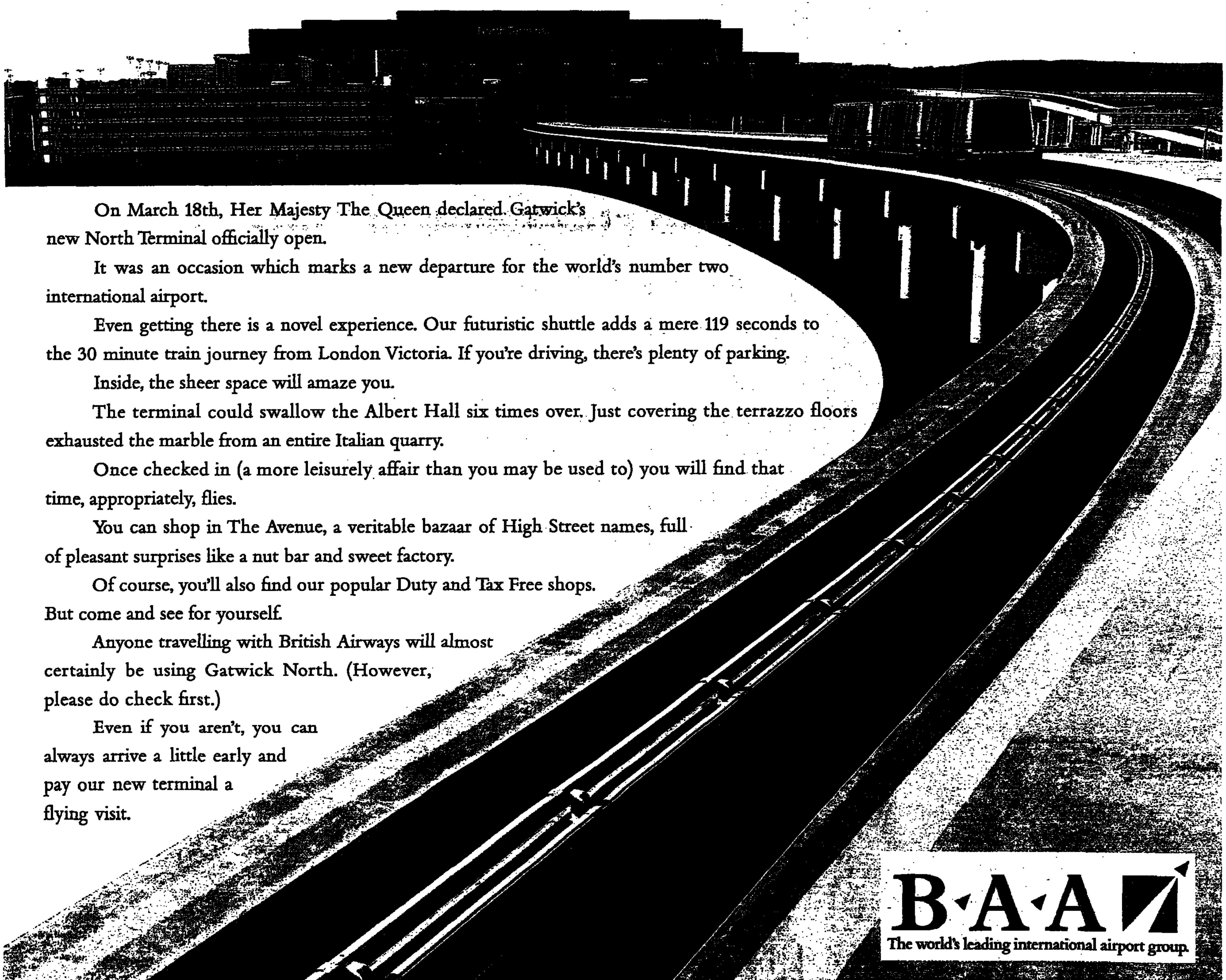
"In fact, the steady decline in the operational capability of Egypt's Soviet-made equipment reached the point where fiscal year 1988 marked a crisis year for the Egyptian armed forces. It became clear that Egypt cannot afford to continue to operate many types of Soviet equipment as long as it had originally planned."

"Since fiscal year 1988, Egypt has been forced to retire virtually all its major Soviet made equipment from its first line combat units, and now relegates it to low grade defensive units, reserve status, spare parts uses, or sale to other nations," the document added.

Egypt acquired its Soviet inventory between the mid-1950's and the post-1973 war period when late President Anwar Sadat dramatically ended a long period of military co-operation with the Russians. The defence document warns that Egypt's ability to convert to a "US-supplied force structure" would be seriously constrained unless additional funds are made available. It says that existing financial assistance merely allows Egypt to fund follow-on support, recurring programmes, and equipment ordered in past years. Egypt, the document says, is planning additional reductions in military expenditure. Planned outlays for 1986-87 were $5.2bn. Defence spending would be cut to less than 14 per cent of GNP and 25 per cent of Central Government expenditure in 1988-89.

Field Marshal Abu Ghazala is also certain to press the case for additional assistance for Egypt's military industries. "Improved defence industrialisation is the only solution to meeting Egypt's long-term aid needs, and to eliminating future military debt problems," the defence document says.

Terminal boredom ends here.



On March 18th, Her Majesty The Queen declared Gatwick's new North Terminal officially open.

It was an occasion which marks a new departure for the world's number two international airport.

Even getting there is a novel experience. Our futuristic shuttle adds a mere 119 seconds to the 30 minute train journey from London Victoria. If you're driving, there's plenty of parking.

Inside, the sheer space will amaze you.

The terminal could swallow the Albert Hall six times over. Just covering the terrazzo floors exhausted the marble from an entire Italian quarry.

Once checked in (a more leisurely affair than you may be used to) you will find that time, appropriately, flies.

You can shop in The Avenue, a veritable bazaar of High Street names, full of pleasant surprises like a nut bar and sweet factory.

Of course, you'll also find our popular Duty and Tax Free shops. But come and see for yourself.

Anyone travelling with British Airways will almost certainly be using Gatwick North. (However, please do check first.)

Even if you aren't, you can always arrive a little early and pay our new terminal a flying visit.

B·A·A
The world's leading international airport group.

Heathrow · Gatwick · Stansted · Glasgow · Edinburgh · Prestwick · Aberdeen

THE PARNES CHARGES

The charges against Mr Parnes allege that he:

1. On or about June 10 1986, dishonestly and with a view to gain for himself or another, falsified an invoice for £1,940,000 from CIFCO to Guinness.

2. On or about the same date, dishonestly and with a view to gain for himself or another, or with intent to cause loss to another, in furnishing information for the purpose of outlining services purportedly carried out for and on behalf of Guinness, produced the £1,940,000 CIFCO invoice, which to his knowledge was or might be misleading, false or deceptive in a material particular.

3. On or about June 17 1986, dishonestly...falsified an invoice for £1,495,000 from Erlanger & Company Inc to Guinness.

4. On or about the same date, dishonestly...in furnishing information for the purpose of outlining services purportedly carried out for and on behalf of Guinness, produced the £1,495,000 Erlanger invoice, which to his knowledge was or might be misleading.

5. On or about June 4 1986, dishonestly...falsified an invoice for £3,350,000 from Consultations et Investissements S.A.

6. On or about the same date, in furnishing information for the purpose of outlining services purportedly carried out for and on behalf of Guinness, produced or made use of the £3,350,000 Consultations et Investissements invoice, which to his knowledge was or might be misleading.

7. Between September 24 1986, and October 25 1986, dishonestly and with a view to gain for Pima Service Corporation, falsified an invoice by making an entry therein which was or may have been misleading, false or deceptive in a material particular in that it purported to show the sum of $4,800,000 was due from Guinness to Pima Service Corporation for professional advice provided in connection with the Distillers' acquisition.

8. On or about July 1 1986, dishonestly and with a view to gain for himself or another, or with intent to cause loss to another, procured the execution of of a valuable security, a cheque in the sum of £1,940,000 by deception, by falsely representing that:

(i) Cifco (Compagnie Internationale de Finance et Commerce) had rendered an Advisory Service re Distillers genuinely valued at £1,940,000.

(ii) The payment due under an unnumbered invoice dated June 101986, was referable, and only referable, to matters set out in the body of the invoice.

(iii) The Advisory Service rendered by Cifco had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Cifco and Guinness.

9. On or about July 1 1986, procured the execution of a valuable security, a cheque in the sum of £1,495,000, by falsely representing that:

(i) Erlanger & Company Inc. had carried out work in connection with the acquisition of Distillers genuinely valued at £1,495,000, such valuation taking into account all relevant commercial factors.

(ii) The payment due under an unnumbered invoice dated June 17 1986, was referable, and only referable, to matters set out in the invoice.

(iii) The work rendered by Erlanger had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Erlanger and Guinness.

10. On or about July 1 1986, procured the execution of a valuable security, a cheque in the sum of £3,350,000 by falsely representing that:

(i) Consultations et Investissements had rendered Corporate Finance Advice, including Success Fee, genuinely valued at £3,350,000.

(ii) The payment due under an invoice dated June 4 1986, rendered by Consultations et Investissements was referable, and only referable, to matters set out in the invoice.

(iii) The Advice rendered by Consultations et Investissements had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Consultations et Investissements and Guinness.

11. On or about November 3 1986, with a view to gain for Pima Service Corporation, dishonestly procured the execution of a valuable security, a document from Guinness authorising the payment of $4,800,000 to the account of Pima Savings at the Federal Reserve Bank, San Francisco, by deception, namely by falsely representing that Pima Service Corporation had provided professional advice to Guinness in connection with the Distillers' acquisition.

12. On or about July 1 1986, dishonestly obtained a chequefor £1,940,000 belonging to Guinness, with the intention of permanently depriving Guinness of the cheque by deception, namely by falsely representing that:

(i) Cifco had rendered an Advisory Service re Distillers genuinely valued at £1,940,000.

(ii) The payment due under an unnumbered invoice dated June 10 1986, was referable only to matters set out in the invoice.

(iii) The advisory service rendered by Cifco had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Cifco and Guinness.

13. On or about July 1 1986, dishonestly obtained a cheque for £1,495,000 belonging to Guinness with the intention of permanently depriving Guinness of the cheque by falsely representing that:-

(i) Erlanger & Company had carried out work in connection with the acquisition of Distillers genuinely valued at £1,495,000, such valuation taking into account all relevant commercial factors.

(ii) The payment due under an unnumbered invoice dated June 17 1986, was referable, and only referable to matters set out in the invoice.

(iii) The work rendered by Erlanger had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Erlanger and Guinness.

14. On or about July 1 1986, dishonestly obtained a cheque for £3,350,000 belonging to Guinness, with the intention of permanently depriving Guinness of the cheque, by falsely representing that:

(i) Consultations et Investissements had rendered corporate finance advice, including success fee, genuinely valued at £3,350,000.

(ii) The payment due under an invoice dated June 4 1986, by Consultations et Investissements was referable and only referable to matters set out in the invoice.

(iii) The advice rendered by Consultations et Investissements had been rendered outside the UK and was not subject to VAT.

(iv) The payment due from Guinness was in respect of honest and lawful dealings as between Consultations et Investissements and Guinness.

Charges 15 to 19 alleged theft of a total of £13,073,503 from Guinness.

Michael Cassell looks at the clash in personalities and politics behind Mr Benn's challenge

Labouring over socialist policies

ALTHOUGH Mr Neil Kinnock, the Labour leader, would have preferred to spend the next six months fighting the Tories and knocking his own party into better shape, he will have to deploy all his political skill and experience in an effort to neutralise the hard left wing of his own party.

He appears to be relishing the prospect of the personal challenge to see off opponents he regards as politically irrelevant, but whom he believes have played a spoiling role out of all proportion to their true strength.

The hope is, that, given an overwhelming victory, any temporary diversion will prove to be to the party's long-term electoral advantage.

Mr Kinnock will nevertheless be angry over a challenge which will inevitably be devoured by what he endearingly refers to as the "media carnivores." Now, however, after months of preliminary skirmishing, he is forced to take seriously both the challenge and those who have made it.

Not even Mr Tony Benn, or his running mate, Mr Eric Heffer, who will try to unseat Mr Roy Hattersley, Labour's deputy leader, privately believe they have a realistic chance of winning. But their decision to fight is borne out of frustration with a Kinnock-led party which they believe has set off in the wrong direction.

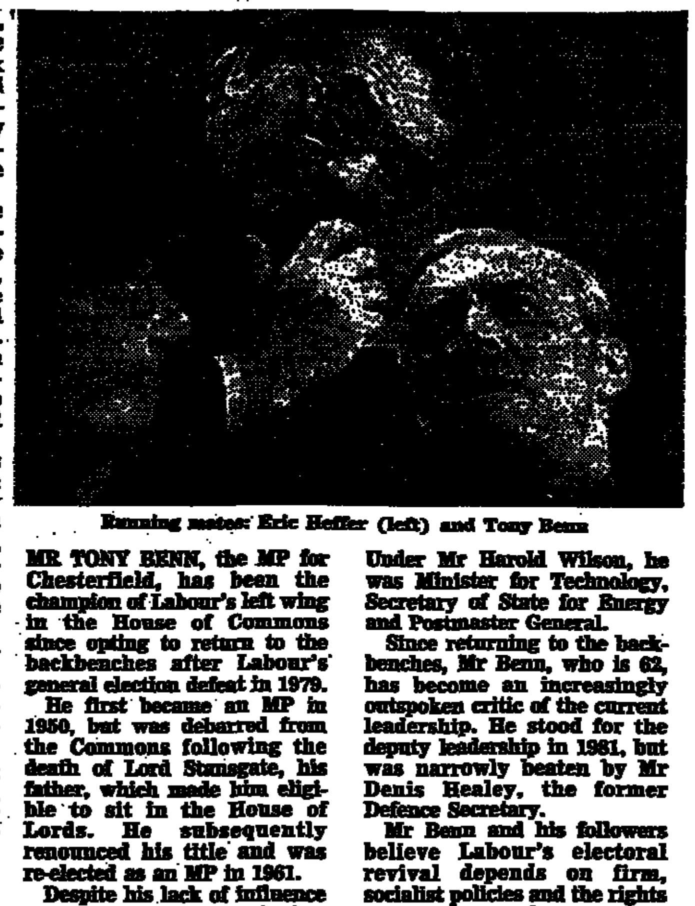
The current policy review, they claim, is a smoke-screen designed to enable the leadership to abandon some of the central tenets of socialism. On Wednesday, hours before an increasingly frustrated Campaign Group took its decision, the left lost overwhelmingly in its attempts to reassert the unqualified primacy of public ownership over the market as a central theme of the review.

Mr Benn has gone out of his way to emphasise that any challenge will not be about personalities but about policies.

The contest, whether implicitly or overtly, will be very much concerned with personalities. The left accuses Mr Kinnock of what they describe as a near-Thatcherite tendency to eliminate internal opposition, which he always regards as a personal, rather than a political, issue.

Mr Kinnock, in turn, believes Mr Benn is wholly misguided and is prepared to turn reality on its head to justify a political philosophy totally out of touch with the aspirations of the electorate.

In recent weeks, Mr Benn has attacked Mr Kinnock's increasingly authoritarian and leadership style, which provoked the party leader into calling on a "loud-mouthed minority" to shut up.



Running mates: Eric Heffer (left) and Tony Benn

MR TONY BENN, the MP for Chesterfield, has been the champion of Labour's left wing in the House of Commons since opting to return to the backbenches after Labour's general election defeat in 1979.

He first became an MP in 1950, but was debarred from the Commons following the death of Lord Stansgate, his father, which made him eligible to sit in the House of Lords. He subsequently renounced his title and was re-elected as an MP in 1961.

Despite his lack of influence with the current party leadership – Mr Benn and Mr Kinnock have apparently not spoken for years – he can claim to be among the most experienced of his Labour colleagues, in terms of ministerial office.

Under Mr Harold Wilson, he was Minister for Technology, Secretary of State for Energy and Postmaster General.

Since returning to the backbenches, Mr Benn, who is 62, has become an increasingly outspoken critic of the current leadership. He stood for the deputy leadership in 1981, but was narrowly beaten by Mr Denis Healey, the former Defence Secretary.

Mr Benn and his followers believe Labour's electoral revival depends on firm, socialist policies and the rights of working people and of the trade unions. He is regarded by many political opponents as an intellectual eccentric who should have gone to the House of Lords – an institution he wants to abolish.

Mr Benn has also called the leadership "wretchedly defensive and apologetic" and accused it of giving the party an identity crisis. Mr Kinnock said Mr Benn and his supporters were behaving like "self-enthroned revolutionaries."

As for policies, Mr Benn and Mr Heffer say they want to see socialism restored to the political agenda. Translated into action, the left's ambitions would, for example, entrench under state control the "commanding heights" of the economy, like the banks and leading companies.

There would be a clear commitment to full employment, a shorter working week and statutory minimum wage, full and equal status for women and the restoration of "effective" trade unionism. Nuclear weapons would be abolished and, after a fixed period, British jurisdiction in Northern Ireland would end.

The left is particularly incensed by what it sees as the leadership's abandonment of the cause of ordinary working people, with the vision of a continuing "struggle" by the miners, nurses and teachers regularly conjured up to demonstrate both socialism's natural constituency and Mr Kinnock's readiness to deny the party's class roots.

The leadership believes they will have little difficulty in destroying the Benn-Heffer ticket and some senior party members were happily recalling the two men's well-publicised difficulties in working together at the Department of Industry in 1974.

Mr Kinnock and his colleagues continue to re-emphasise the self-evident need for a fundamental review of policy in the wake of a third election defeat, but stress with equal conviction their determination to maintain and promote the principles of democratic socialism.

The proof of the pudding, however, will be in the policies which actually emerge from the present two-year review, a process which could prove considerably less traumatic for the leadership if a troublesome left wing has been soundly trounced.

But if the outcome of the contest for leader and deputy is predictable, the margin of victory will be critical to Mr Kinnock, who will be fighting for every single vote between now and October's annual conference.

There is also the prospect that, despite the joint-ticket approach, allegiances will be split, with supporters of Mr Kinnock not necessarily backing Mr Hattersley, who has not won many plaudits in his role as deputy leader.

The conference voting will be based on the electoral college system first employed to elect Mr Kinnock and Mr Hattersley in 1983. Forty per cent of the votes will go to the trade unions while the constituency parties and MPs will account for 30 per cent each.

Mr Benn and Mr Heffer will be looking for the majority of their support from the constituency parties and will hope for backing from up to one quarter of the 229-strong parliamentary party. The leadership expects support among MPs to be minimal.

Few trade unions are likely to abandon the present leadership and, despite its recent swing to the left, the powerful Transport and General Workers' Union – with 8 per cent of all electoral college votes - is not expected to be among the deserters.

This week's embarrassing silence by the party leadership over the inter-union row involving the TGWU can only have reinforced the damaging impression of a party primarily answerable to the unions.

It has also underlined the scale of the challenge facing Mr Kinnock in his drive for Labour's electoral rehabilitation – a challenge which he is insistent will not, be diverted despite Mr Benn's "selfish" intervention.

Bank to continue gilt auctions

BY SIMON HOLBERTON

THE BANK of England plans to continue its experiments with auctions of gilt-edged (Government) securities and may hold one or two in the coming year.

The Bank and the Treasury both feel that it would be desirable to preserve auctions as a form of selling British Government debt, despite the apparently mixed reception from traders and investors. It is unlikely, however, that the authorities will accede to calls for major changes to the way in which the Bank conducts auctions, although some minor changes can not be ruled out.

In particular the Treasury has remained firm in its opposition to the payment of underwriting fees to market-makers who bid for Government stock.

It rejected the argument from the market that the underwriting of auctions would encourage investors to bid for stock through dealers. In the past three auctions the vast majority of stock on offer was bid for by dealers.

Since the last auction in January, the Bank has taken soundings from the Gilt-Edged Market Makers Association and investors in Government securities on their attitudes to auctions. In both cases the Bank found support for their continuance.

Announcement of the General Meeting of Shareholders

The Annual General Meeting of Shareholders of the Amsterdam-Rotterdam Bank N.V. will be held on Wednesday, April 20, 1988 at 2:30 pm at the Amro Bank Headquarters in Amsterdam, Foppingadreef 22.

This meeting will include consideration of all members' appointments to the Advisory Board. Short personal histories of suggested candidates will be available for inspection during the General Meeting. The agenda is open to inspection at the banks listed below and is available free of charge. In addition, the 1987 Annual Report is available at these locations, including the report of the Shareholders' Commission and the report of the Central Employees' Council. Short personal histories of the members of the Supervisory Board who were re-appointed after the 1987 General Meeting will be available for inspection during this year's Meeting.

In order for a bearer to exercise the rights attending ordinary shares, these shares must be deposited by April 14th 1988 at the latest at one of the banks listed below:

The Netherlands:
All offices of the Amsterdam-Rotterdam Bank N.V.

United Kingdom:
Amsterdam-Rotterdam Bank N.V. in London.

West Germany:
Deutsche Bank AG, Commerzbank AG, Dresdner Bank AG and Westdeutsche Landesbank Girozentrale in Frankfurt (Main), Dusseldorf and Hamburg, and the Amro Handelsbank AG in Cologne.

France:
The headquarters of Société Générale in Paris.

Switzerland:
Schweizerische Kreditanstalt, Schweizerische Bankgesellschaft and Amro Bank und Finanz in Zurich, Schweizerischer Bankverein in Basle, MM Pictet et Cie in Geneva.

The proof of deposit that is received serves as an admission to the meeting.

In order to exercise the rights of those ordinary shareholders attending this meeting, the Board of Managing Directors must be informed of their intention in writing by April 14, 1988 at the latest.

Should a shareholder wish to be represented at the meeting by proxy, written authorisation must be received at the latest by the date and at the locations listed above.

The Supervisory Board

Amsterdam, March 21, 1988

Amsterdam-Rotterdam Bank N.V.

Amro Bank

(Advertisement)

DAI-ICHI KANGYO BANK

DKB ECONOMIC REPORT

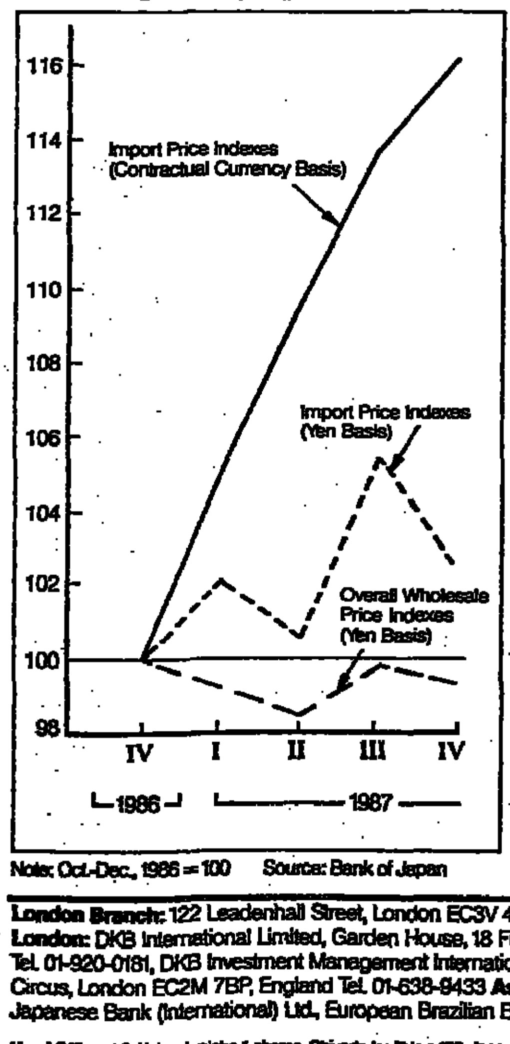
March 1988: Vol. 17, No. 3

Accelerating Expansion of Japanese Economy

Strong domestic demand boosts the economy

The expansion of the Japanese economy has been accelerating since the second half of 1987. Active domestic demand has stimulated industrial production, which in turn, has improved the employment situation.

Upcreeping Import Prices



Note: Oct.-Dec., 1986 = 100 Source: Bank of Japan

Focusing first on the aspects of demand, household demand shows a steady growth in consumption, boosted by increased overtime pay and bonuses in addition to the steady increase in net income due to the implementation of tax cuts. Department stores report healthy sales of household electric appliances, furniture, art objects, and jewelry. Clothing sales have been moderate despite the warmer-than-usual weather this winter. Housing investment, especially in privately owned houses, continues its upward trend.

In the corporate sector, capital investment has been increasing favorably. Machinery orders in the private sector, excluding shipbuilding and electric power, which are seen to anticipate future trends in facility investment by about six months, have increased for two consecutive months. October and November represent increases of more than 20% over last year's figures.

Government spending has also been accelerating since last fall as a result of the emergency economic package. Public works contracts increased 5.9 percent in the first half of fiscal 1987 on a year-to-year basis, but zoomed 28.8 percent in the October to December period.

On the other hand, export levels have slowed their rate of expansion. Because of strong domestic demand, however, sluggish exports are not likely to sap the vitality of the economy.

Rapidly improving employment situation

Propped up by favorable domestic demand, industrial production is showing remarkable strength. In the fourth quarter of last year, mining and manufacturing production made an excellent increase of 9.3 percent over the same period last year.

The employment situation improved dramatically, bolstered by the rapid expansion in production. The effective job-offer index, which is the ratio of the number of job offers to the number of those seeking work, rose by 0.2 percentage points from the previous year, to the 0.81 level in the October to December period. This fairly rapid improvement, as compared to the two previous economic expansions, is solely due to the considerable increase in the number of job offers, which in turn indicates the speed of current business expansion.

Stability of commodity prices sustained by the strong yen

Commodity prices remained relatively stable under accelerated business expansion. Wholesale prices dropped 1.1 percent and consumer prices rose by only 0.8 percent in December on a year-to-year basis.

This stability of commodity prices can be attributed to the following reasons: (1) Import prices have fallen on a yen basis, under the influence of appreciating yen since last autumn (from 140 to 120 yen to a dollar), (2) Many foreign products, which became cheaper due to the stronger yen, have flourished in the domestic market, serving to cool down strong domestic demand. (3) Oil prices have been weakening since last autumn. In short, all of these factors appear to be supported by the strong yen.

Nevertheless, the future stability of commodity prices seems to be fragile if the yen begins to depreciate. First of all, operating rates for industries, especially in material industries, go up rapidly as business expansion accelerates. This may lead to a tight future demand and supply condition.

Second, import prices are likely to rise. When import prices are computed on a contractual currency basis, which in most cases is the U.S. dollar, prices of materials, such as lumber, textiles, and metals, show considerable increases (see chart). This seems to be, primarily, because of a general recovery of global demand/supply balance for materials, accompanied by the progressive decline of the dollar. Therefore, if the yen stops rising, it is quite likely that the prices of imported commodities on a yen basis will go up.

It appears that the rise in the yen has been successfully holding down commodity prices so far. However, an increase in prices may surface in response to the movements of the foreign exchange market. The economy of Japan functions soundly under stable commodity prices and business expansion. However, considering the uncertainty of the foreign exchange market, adequate care should be paid to future commodity prices.

UK NEWS

FT CONFERENCE

On-line services chart route to global market

BY ALAN CANE

A GLOBAL market in equities is inevitable and market-makers, broker dealers and fund managers will have to look to their technological skills or risk being upstaged by more resourceful competitors.

This was driven home by one speaker after another on the first day of a Financial Times conference, Technology in the International Securities Markets, which opened in London yesterday.

The future for international investing was assured, said Mr Alastair Goobey, international investment strategist at James Capel. Despite a "rush home to mother" after the fall in the world's stock markets last October, trade imbalances, direct investment, deregulation of markets, desire for diversification and growth, especially in Japan, would fuel continued cross border investment across borders.

The role of programme trading in the October fall was keenly debated as Mr Steven Wunsch, vice president of the financial futures department at Kidder, Peabody & Co., said that there was still no commonly accepted definition of the expression, despite the post mortems after the October 19 crash.

He warned, rather, that markets were becoming destabilised through imbalances in computing power. Market makers' profitability once depended on their ability to read subtle signals in the orders from buyers and sellers.

Those buyers and sellers had more recently begun to use computers to analyse the market and deliver their orders more rapidly and in larger sizes. They were outstripping market makers' ability to read the market and provide necessary liquidity.

Market makers, Mr Wunsch said, wanted to cap the use of computers for trading but that was unrealistic. The answer was for market makers to develop their own automatic execution facilities, which would remove to a large extent the need for them to provide liquidity.

Such systems would cut costs and lower damaging volatility, Mr Wunsch said: "Any trading centre will need to develop systems like these or risk being replaced by others that do."

Mr Robert Garland, managing director, finance administration and operations for Morgan Stanley International, said that the future of automated trading lay in the globalisation of markets. It would encompass electronic monitoring of market price information, software based trading decisions and order generation, automated execution, trade comparison and book entry settlement in a central repository. He believed that automation and standardisation would increase transaction volumes to record levels with a corresponding rise in liquidity.

Mr Richard Justice, executive vice president for automation at the US National Association of Securities Dealers (Nasdaq) said automatic execution was the answer to "traffic" problems in a telephone-based market like Nasdaq.

The full benefits of automated trading would only be realised, the speakers agreed, when clearance and settlement were also handled electronically.

Mr Robert Apfel, chairman of Robert C. Apfel & Company, advocated the adoption of securities in electronic book entry form and the abandonment of traditional printing and distribution of paper certificates.

For a $100m deal, he suggested the cost of traditional certification would be as high as $237,000 compared to zero for the electronic book entry version.

Mr David Copenhafer of the US Securities and Exchange Commission "Edgar" project described it as the electronic discloure system for receipt, storage, retrieval and dissemination of all public documents filed with the Commission.

Designed to benefit investors, filers and SEC reviewers, the project had been running in pilot form since 1984 and would remain active until all pilot participants were successfully phased on to the operational system – probably in late 1989.

Satellite TV reviews effective channelling

BY RAYMOND SNODDY

OWNERSHIP of Super Channel, the London-based European satellite television channel launched by Mrs Margaret Thatcher, the Prime Minister, in January 1987 seems likely to change in the next few months.

The loss-making general entertainment channel, owned by 14 independent television companies and Mr Richard Branson's Virgin Group, has been having talks on a possible merger with Sky, Mr Rupert Murdoch's rival channel.

At the same time, the Television Broadcasting Company, a consortium led by Mr Michael Green's Carlton Communications and including Thames Television, London Weekend Television, Dixons and Saatchi & Saatchi, has been seeking a majority stake in the channel.

Super Channel is now available in 11m homes across Europe through cable television networks. Already £46m has been invested, and losses this year are likely to top £8m. Several independent television companies facing increasing commercial and political pressure are losing enthusiasm for funding the channel.

Mr Michael Checkland, director general of the BBC, an important programme supplier to Super Channel has suggested that Super Channel and Sky, also still losing money, should sit down and do a deal.

The two competing general entertainment channels are virtually splitting the English language pan-European television advertising market which has been developed from nothing in 1982-83 to an estimated £22m this year. Because of cost-cutting between the two channels, the rate for 30 seconds of advertising has not grown with the size of the market and has tended to be held down to between £300 and £500.

Apart from being a programme provider the BBC's interest in the future of Super Channel also stems from its involvement in Eurosport, the planned new European satellite sports channel. Eurosport is a joint venture between Sky and a number of the public service broadcasters who are members of the European Broadcasting Union.

If Sky and Super Channel were to merge it would free a satellite transponder which could be used to broadcast Eurosport. Together the two channels would make a popular package.

Kier moves into international property finance

By Andrew Taylor

KIER, the contracting arm of Beazer, the British construction group which is bidding more than £1bn for Koppers, the US aggregates business, is launching a project development company to participate in the funding of international projects.

The new company, Kier Projects, will use its ability to provide finance for schemes as a lever to win construction work for the contracting arm. The company expects to sell its investments quickly and does not intend to become long-term investors in commercial property, which might conflict with the property holding interests of the main Beazer Group.

Kier Projects is already providing all or part of the finance for a retail warehouse in Burnley Lancashire and a 350-berth marina in East Anglia. In partnership with C. Itoh, the Japanese trading group, it is also involved in a office and retail development in Australia.

Industry's profits rise sharply on buoyant demand

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITISH industry's profits surged last year as companies took advantage of buoyant domestic demand and of the competitive gains in overseas markets flowing from the pound's sharp devaluation in 1986.

Official figures released yesterday from by the Central Statistical Office show that the gross trading profits of industrial and commercial companies (net of stock appreciation) rose by 21 per cent in 1987 to £67.2bn.

Part of that increase reflected the inclusion for the first time in the official figures the profits of newly-privatised companies like British Gas, British Airways and BAA (formerly British Airports Authority). Even excluding profits generated by those companies, however, the increase remained over 15 per cent.

Industry's profits have been rising sharply since 1981, although the collapse in world oil prices during 1986 led to a slump in the profits of companies operating in the North Sea. There is little expectation, however, that the recent pace of gains will be maintained during 1988.

The pound's sharp appreciation against the dollar during 1987 and, more recently, against the D-Mark is likely to put a significant squeeze on the margins of exporters, while intensifying competition in the UK market. Manufacturing companies are also expected to face an acceleration in labour costs as the rapid growth of productivity seen last year begins to slow.

Recent studies by the London Business School and securities house Phillips & Drew suggest that profits may stagnate in the second half of 1988. That analysis is supported by the pattern of profits growth in 1987, with strong increases during the first 9 months of the year being followed by a slight fall in the final three months.

Yesterday's figures show that the gross trading profits of non-North Sea companies hit £57.7bn in 1987, up from 47.3bn the previous year. Profits for companies operating in the North Sea rose from £8.4bn to £9.5bn, but the latter figure was only half the level before the oil price collapse.

The CSO said that dividends paid to financial institutions and individuals in the UK, which account for rouughly 70 per cent of all such payments, surged by 40 per cent in 1987. The size of that increase in part reflects the buoyancy of profits, but it also includes the dividends paid by newly-privatised companies such as British Gas and the additional payments resulting from the large number of rights issues in 1986.

Capital spending on chemicals sees surge

BY PETER MARSH

UK CHEMICAL companies are investing more, with total capital spending this year likely to be 19 per cent higher than in 1987 at £1.7bn, taking inflation into account.

This projected increase, shown in a survey published yesterday by the Chemical Industries Association, is likely to be followed by a further rise in investment in 1989 to £1.9bn.

The association said the spending plans reflected the strong and broad demand for chemical products and the industry's strong intent to develop its domestic manufacturing base.

The association said the big projected rise in capital spending reflected confidence in the UK economy and prospects for the chemical industry.

The industry's envisaged spending for 1988 and 1989 is some 26 per cent higher in real terms than that intended a year ago, the survey shows.

Total projected investment from 1988 to 1990 is £5.5bn, compared with the £4.3bn forecast in the association's survey last year.

About 45 per cent of the investment planned for this period is aimed at modernisation of existing facilities, while 39 per cent is earmarked for new or expanded plants.

The pharmaceuticals industry, which accounts for roughly a quarter of total UK chemicals output of £20m, is responsible for a particularly large slice – 37 per cent – of the envisaged capital spending between 1988 and 1990.

The next biggest industry segment in terms of investment plans is petrochemicals and plastics, which accounts for 23 per cent of the envisaged investment, followed by speciality or "high-performance" chemicals which is responsible for 19 per cent.

Boeing admits delay in offset contracts

BY LYNTON MCLAIN

BOEING, the US aerospace company, has acknowledged that there have been delays in its award of contracts to UK companies after the Government decision to buy the Boeing Awacs early warning aircraft.

"Some delay has been encountered only because of the number of licence requests that have been made and the subsequent review of data to be released", Boeing said.

Boeing gave a contractual commitment to the Ministry of Defence in December 1986 to award £130 of high technology work with UK companies for every £100 spent by the MoD on buying six Awacs aircraft for £860m. This meant that Boeing agreed in December 1986 to spend £1.118bn with UK companies over the eight years, from January 1987, of the Awacs purchase programme.

Plessey, the British company with one of the biggest involvements in the UK participation in the Boeing offset work, said it had been awarded only £1.25m of work. The group had expected orders worth £50m over the past 12 to 15 months. It said work on the Boeing Awacs radar had not created one new job.

This is despite Boeing's promises when it bid in November 1986 for the Awacs contract to replace the troubled General Electric Company's Nimrod airborne radar aircraft, that "buying this system (the Boeing Awacs) will bring 40,000 new jobs to Britain. And that is just in the first five years."

"In 20 years, the ongoing contracts and partnerships with Boeing and its industry team will lead to an estimated 80,000 British jobs altogether," Boeing said.

Brochures prepared by Boeing as part of its sales pitch also claimed that an order for Awacs would create 1,500 British jobs within six months (from January 1987) and add a further 3,000 British jobs within the first year.

The company said then that the 130 per cent offset commitment meant more UK jobs. "Boeing estimates that these will total more than 50,000 in the next eight years."

Boeing said it could not talk about the number of jobs created or maintained by the UK order for Awacs.

Mr Nick Nelson

Mr Nick Nelson, former managing director of DHL International (UK), whose photograph appeared in the Courier and Express Services survey on March 21, is managing director of Royal Mail Parcels.

Change in fortunes leaves savings at 'lowest level'

BY RALPH ATKINS

BRITISH SAVING as a proportion of personal incomes fell last year to the lowest level for 28 years, according to official figures published yesterday.

The Central Statistical Office said the savings ratio dropped to 5.6 per cent in 1987, compared with 7.4 per cent in 1986. The 1987 figure was lower than in any year since 1959 when the ratio was 4.9 per cent.

Real personal disposable incomes, regarded as an indicator of living standards, grew strongly in 1987, rising to a level 3.2 per cent higher than the previous year.

However, the savings ratio was pushed lower by consumers' expenditure rising faster than income. Spending has been fuelled by easier credit and rising wealth in the personal sector as prices of assets has increased.

"REMEMBER WHEN you used to save *before* you spent?" asks a recent National Savings advertisment. Not very well, has to be the answer for many people.

The savings ratio – or the proportion of its income the personal sector saves – has now fallen to the lowest rate for a generation. Figures published yesterday show the ratio fell to 5.6 per cent in 1987 compared with a peak of 14.3 per cent in 1980 and an average of 10 per cent during the 1960s and 1970s.

Yet some caution is needed as the fall may not be as dramatic as the figures suggest. Official statistics are subject to questions about their accuracy and in recent years have probably underestimated the true savings ratio level.

There are also questions about the link between the rate of saving by consumers and investment funds available for industry. More immediately, if savings have reached an unsustainable low point, an upturn could dampen economic growth by cutting consumers' spending.

Compared with other countries, Britain's personal savings ratio is low. Standardised figures compiled by the Organisation for Economic Co-operation and Development show a savings ratio for UK households of 9.1 in 1986. In contrast, Japan had a ratio of 17.4 and Germany 12.1.

However, there is little to suggest the fall in the savings ratio has resulted in lower investment. Fixed investment as a proportion of Gross Domestic Product was 17.7 per cent in 1987, only slightly lower than a comparable figure of 18.0 per cent in 1980.

There are good reasons for believing savings have fallen sharply since a peak at the start of this decade. Most notable is the fall in inflation. Consumers put more of their income aside in times of uncertainty and when confidence returns, saving falls.

Trends in consumer credit have also affected the savings ratio. Greater competition and the relaxation of official controls have promoted credit cards, personal loans and multifarious forms of consumer credit.

Offsetting these pressures are at least two factors which may have encouraged saving – and suggest the ratio might rise in the next few months.

First is the effect of house buying. An accurate measure would count investment in a house as saving. Council house sales and the trend towards home ownership should therefore have increased total savings in the personal sector. Second are the effects of tax cuts for higher income households. There is evidence that the rich save more of their income and that this will increase overall savings

If the official savings ratio figures are close to the true trend, they suggest a remarkable change in the behaviour of consumers.

MANAGEMENT

Restructuring at Control Data

Focusing tightly on a business-driven culture

Roderick Oram explains the US computer group's defence strategy

AS "MISSION STATEMENTS" go, Control Data's sounds simple: to provide customers with products and services based on computer technologies. But it took senior managers three months to hammer it out as, in 1986, they began to haul the Minneapolis-based company back from the brink of collapse.

They found it hard to describe their businesses succinctly because Control Data had grown into a sprawling group under the autocratic leadership of its founder, William Norris. Diversity, he believed, would help counter the cyclicality of its mainframe computer business.

When, however, several key activities, notably computer disk drives, were left behind by fleet-footed competitors in the mid-1980s, Control Data found that its top heavy management structure and corporate culture dominated by an engineering mentality left it ill-equipped to meet the challenge. It ran up losses of $832m in 1985-86 and went into technical default on bank loans.

"Our bankers lost confidence in the company's ability to manage its assets," says Robert Price, who succeeded Norris as chairman and chief executive in January 1986. "We were simply engaged in too many businesses and management was too centralised for our diversity."

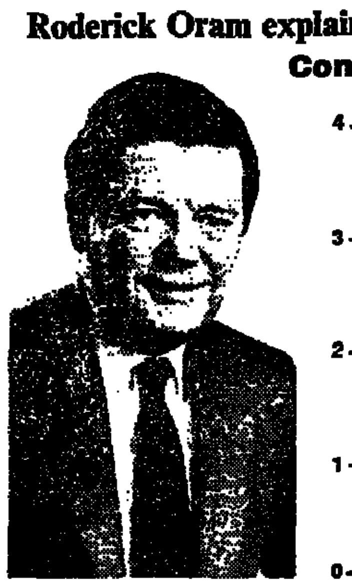
After 25 years in the company, six as president and deputy to Norris, he set about radically changing the way he and his colleagues did business and sharply tightening the focus of the company. "The most important thing I've had to learn was decentralisation. Now it feels comfortable, natural for me." Devolving responsibility to more junior operational managers "has freed up management attention and the group's resources."

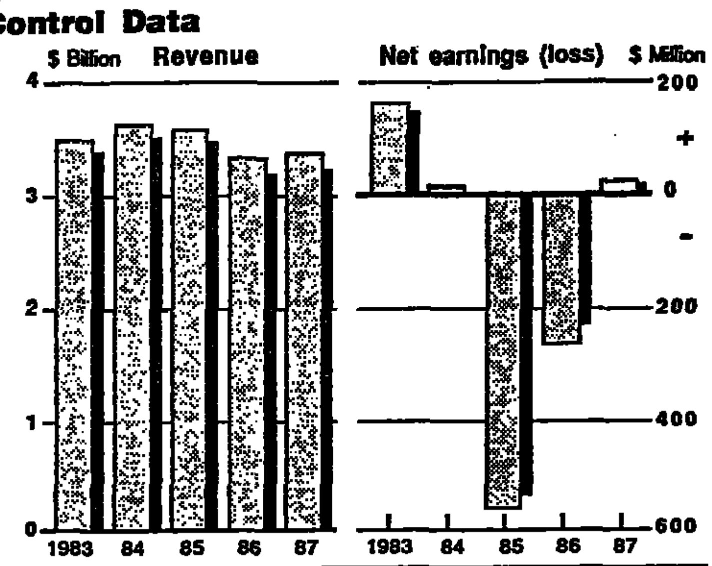
Over the past two years, Control Data has done away with almost half the top management jobs, cut its workforce by 25 per cent to 30,000 and sold 13 major businesses. The disposal of its Commercial Credit finance subsidiary netted around $1bn which kept it afloat.

Among other measures, the company revitalised its product range, revamped manufacturing, instituted more formal and disciplined management procedures down the line and improved its internal planning, budgetary and financial systems.

So tight is the company's focus these days that it can be a little disconcerting talking to the heads of the group's major divisions. They give the impression of having eliminated, through countless hours of analysis and consensus building, all the ifs, buts, ands and maybes which nag away at most other managers.

In the past, engineers who dominated the company developed technically elegant products with insufficient regard for the actual demands of the market-place. Now the company is far more closely attuned to its customers. A catch phrase recurs in conversations: Control Data has transformed itself from "a culture-driven business to a business-driven culture."





Robert Price: "Decentralisation feels comfortable for me now"

Some more re-orientation of attitude is required, however. "There is still some scepticism from a few people stuck in the old culture," a senior executive says. "But there's no danger of going back. There are no pockets of armed resistance. When the marketing effort has become as complete as the engineering effort, Control Data will be a complete company."

Although well satisfied with the progress to date, Price expresses disappointment that the pay-off in terms of profits will have been slower than he and other executives had hoped, and explains that the problems proved to be greater than they had initially thought.

Having made the difficult change in corporate culture and structure, senior managers face almost as big a challenge in building up sales and profits. They recently reported net earnings of $19.3m for last year compared with a loss of $265m in 1986 on flat sales of $3.3bn. They are hoping for a sharp acceleration in profits this year towards their goal of a return on equity of 15 per cent by 1990.

Stock market analysts believe, though, that the company is vulnerable to two potential threats along the way: a recession which would abort the profit recovery or a takeover attempt. Long rumoured as a target, the company's restructuring has made it even more attractive to rival computer makers, particularly as the skimpy profits to date have held down its share price.

"One way or another, the true value of the company will be realised – through earnings growth or an asset play, whichever comes first," says Paul Shain, who monitors Control Data's progress for Dain, Bosworth, a Minneapolis investment dealer. He estimates its book value at between $35 and $40 a share against a current share price of about $28.

Two of the company's most attractive lines of business now, either as potential profit makers or grist for the takeover mill, are disk drives and supercomputers. Much of Control Data's reputation had been built on them but by the mid-1980s they were fast falling behind rival products, particularly on technology. The corrective measures were some of the stiffest Control Data took.

Having missed the trend to more compact, cheaper and faster hard disk drives, the data storage products division lost $350m in 1985. When Lawrence Perlman took charge of it that year it accounted for $1bn of the group's assets – half in stock – and 19,000 employees. Today it has $200m of assets, two-thirds in stock, and only 8,000 employees.

The first low-labour cost foreign plant for the drives was opened in Singapore last year to be followed by a second also in the Far East this year.

A new product line geared to the rapidly growing mass market has completely shifted Control Data's emphasis. In 1984 it produced 50,000 disk drives with an average gross profit margin of 40 per cent. This year it hopes to make close to 1m with a 20 per cent margin.

New product development was accelerated by setting up a new operation in California called Rigidyne. Its managers were given a small entrepreneurial stake and let loose on the problem of designing a range of small drives, with minimal bureaucratic control from Minneapolis.

Becoming a low margin, high volume producer will not solve Control Data's problems. It must continue to tackle the fact that product life cycles are shortening dramatically as the cost of disk drives continues to plummet from $50 per megabyte of memory at the beginning of the decade to a forecast $2 by the end of the decade.

"If we do our job right," Perlman says, "it will take our competitors as long to climb the technology curve as it takes us to climb down the cost curve."

A similar approach was taken earlier on supercomputers with the setting up of ETA Systems in August 1983. Control Data has to date pumped over $100m into the unit, despite its earlier financial difficulties, to produce the successor to the Cyber family of machines. The first models received an enthusiastic user reception when they were unveiled last autumn but although volume has built up steadily, ETA will not be profitable until next year because of further development costs.

At the bottom end of its product range, ETA will face stiff competition from a host of small "mini-supercomputer" makers such as Alliant and Convex. These have shown that the use of supercomputers, once the expensive preserve of corporate headquarters, will be snapped up further down an organisation if the price is low enough.

ETA is part of a new computer systems and services group headed by Thomas Roberts, who admits "we were fat and kind of bureaucratic" before the shake-up. Expenses have been cut sharply, the marketing organisation strengthened, and responsibility for their businesses pushed down to managers around the world who are now organised on geographic rather than product lines.

The division's activities have been more sharply focused around Control Data's traditional strengths in scientific, engineering and other applications using huge databases. But it will be a long haul. "I believe we will have a pretty decent level of earnings in 1989," Roberts says.

A similar exercise of cutting away marginal activities was undertaken by the business services division and selective acquisitions were made to fill in gaps in its main activities. These include computer-based payroll, personnel, marketing, and TV audience measurement services.

"Now we've got to make the changes pay," is the message managers are pushing throughout the company. John Buckner, the executive vice-president and chief financial officer who stabilised the company's finances and is still introducing new management systems, says: "Perhaps we are half way through – though the second half will be way more fun building things up." But he warns: "We're still a takeover candidate and will remain so until we're highly profitable."

Smoking at work

Coping with a burning issue

Michael Skapinker reports on guidelines for employers

CAMBRIDGE University Press has a special smoking room for members of staff who feel in need of a cigarette. But time spent in the room does not count as part of the working day and has to be made up later.

Some might regard this as a bit harsh. Others would argue that smokers should be grateful that the company permits them to smoke on its premises at all.

Employers who have not yet wrestled with such issues should probably begin to do so. A report published this week by the Department of Health and Social Security says that non-smokers who regularly breathe in other people's smoke have a 10 to 30 per cent higher risk of lung cancer than people who are not exposed to smoke.

The report calls for smokers to be segregated from non-smokers at work and in other public enclosed spaces. The report says that "non-smoking should be regarded as the norm in enclosed areas frequented by the public or employees, special provision being made for smokers, rather than vice-versa."

It adds that "improved ventilation, or the mixing of smoking and non-smoking areas within the same enclosed space would not seem to provide adequate safeguards" for non-smokers.

Some companies have already done more than segregate their smokers. Mori, the polling organisation, has completely banned smoking in its offices.

Mori chairman Robert Worcester recalls that 12 years ago, after the departure of a smoking employee, the staff realised that they were all non-smokers. "We thought 'what a lovely situation. Let's try to keep it that way'." Mori's recruitment advertising makes it clear that successful applicants will not be permitted to smoke at work.

Many applicants are positively enthusiastic about the policy, he says. The company has also negotiated small reductions in its office cleaning bill on the grounds that there are no dirty ashtrays to clean.

Today, Worcester says, several of Mori's 78 office employees do smoke. They simply don't do so there. "We're not draconian about it," he says. "I feel very strongly about freedom of choice." The policy doesn't apply to what they do outside the office.

British Petroleum decided to allow some smoking at its London headquarters when it introduced a policy on the subject earlier this year. BP's action grew out of its regular staff consultation meetings, during which non-smokers repeatedly complained about having to work alongside employees who smoked.

BP surveyed every headquarters employee before drawing up its policy. The BP policy permits smoking only in reception areas, designated sections of coffee rooms, private dining rooms, the company's pub and offices with a single occupant. Smoking is not permitted in open-plan offices. The company's own shop still sells cigarettes.

The organisation Action on Smoking and Health (Ash) says

> **Junior staff might be reluctant to express their objections . . . "You're not told: 'There are asbestos tiles in the office, but the other people don't mind. Do you?'"**

each company needs to decide what policy best suits its own circumstances. But David Simpson, the director of Ash, says that the organisation does not recommend that companies allow employees with private offices to smoke in them.

"People with private offices tend to be more senior and allowing them to smoke can cause resentment among more junior smokers," he says.

He says he is also against companies permitting smoking in larger offices even if all the non-smokers say they don't mind. New employees and more junior staff might be reluctant to express their objections to smoking, he says.

"No other health issue is treated in that way," he argues. "You're not told 'there are asbestos tiles in the office, but the other people don't mind. Do you?'"

Ash argues that the basic principle of any policy must be to ensure a smoke-free environment for non-smokers. It recommends a five-stage programme for the implementation of a smoking policy at work.

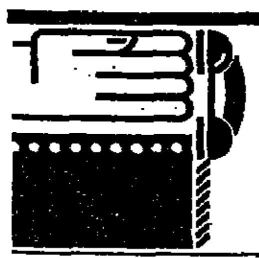
- Set up a working party. This should be representative of all sections of the workforce and should include smokers, non-smokers and ex-smokers. The working party should review current practice within the organisation and should set out the basic objectives of a smoking policy.
- Raise the issue with employees. Emphasise that the question is not *whether* people should be allowed to smoke but *where* they should be allowed to smoke. Using in-house journals, notice boards or other means of staff communication, circulate information about the hazards of passive smoking and the options available to solve the problem.
- Carry out a survey of all staff to find out what sort of policy they would prefer. Make it clear that this is only one part of the process and that other information will be taken into account as well when deciding the final policy.
- Publicise the policy options. Set out the principle that non-smokers have the right to breathe air free from tobacco smoke. Explain where it is proposed that smoking should and should not be allowed. Circulate the policy to all employees and encourage feedback.
- *Implement the policy.* Announce the final policy to the workforce. Order signs and prepare the smoking area. Set a date for implementation. Ash recommends a period of three months. The policy could be introduced to coincide with the move to a new building or an annual event such as National No Smoking Day.

The policy should be included in the official terms and conditions of employment and should be made known to new members of staff.

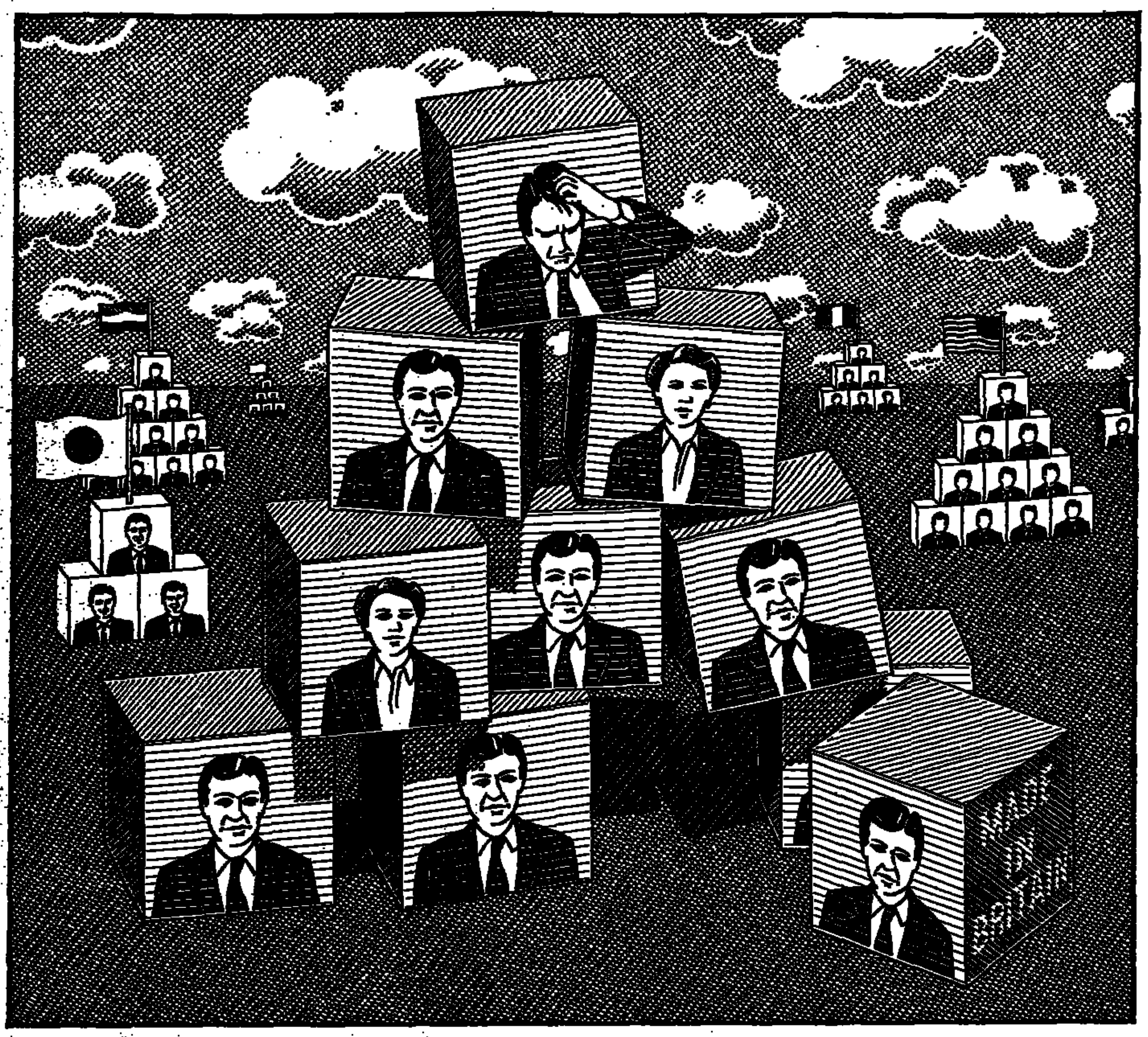
Simpson stresses that adequate notice and consultation with the workforce are vital parts of the process. If organisations implement a smoking ban without notice, aggrieved smokers might claim that their contracts have been altered without consultation and that they have been constructively dismissed. A three month period would be sufficient notice of a change of contract, Ash says.

It is also important, Simpson says, to "make sure that your policy has some emergency provision for smokers who cannot do without a cigarette." This could be a smoking room. Companies too small to provide one could make it clear that employees will not be disciplined if they go outside for a smoke, he says.

FINANCIAL TIMES SURVEY



The social status of managers is rising and young Europeans are recognising the need to be highly mobile. In the UK part-time, distance-learning and tailor-made courses are finding favour. **Michael Dixon** reports on the, albeit confused, progress of management training and education



Management Education and Training

CONTENTS

Illustration by Robin Macfarlan

Schooling for world success

THE PHRASE "he... rode off madly in all directions" was coined by the humorist Stephen Leacock 77 years ago in writing about a particular English aristocrat. Today the same words make an apt description of worldwide developments in management education and training.

Its higgledy-piggledy progress seems to be driven by at least three forces. One is the change new technology has wrought in almost every job. Another is the response to Japanese competition, not only of western businesses but of other eastern countries ambitious to emulate the success of Japan. A third is the loosening of centralised control and trade restrictions which promises to open up spreading supra-national and eventually global markets.

As a result, the social status of the work of management is rising internationally. In the East, where it is typically seen as a group activity requiring personal differences to be suppressed, there is dawning recognition that individual management talents not only exist but are important to the performance of a company as a whole.

Comparable change is going on in countries such as Switzerland, Sweden and West Germany, where management has largely been regarded as a subsidiary task, albeit an important one, done by people who are primarily engineers, financiers and so on. That image is being dispelled by the emergence of characters who are first and foremost managers — their exploits attract increasing public attention, if not always approval.

Even in the US and Britain, where management has long been seen as a self-standing job, it is growing markedly in social esteem. "When I graduated in 1961," says Professor Joseph Bower of Harvard Business School, "about 80 per cent of my contemporaries who got the supreme class of degree went for academic careers in universities. Now the percentage is down to 20. Business management is the main aim of even the topmost young intellectual talent." Among British school-leavers, management studies is the third most popular university subject, attracting more applications than English, although not yet as many as law or medicine.

Employers' responses vary widely. While a good many still prefer not to think about the future until it is knocking down their door, the majority of large companies are fortunately aware, at least, of the changes. Far fewer, however, have thought through the implications and taken action in advance.

Take for example one specific development in Europe - the 12-nation European Community's projected creation of a single market of 320m consumers in 1992. Dr Leon Sélig of the Insead business school in France has studied how the prospect is being approached by 50 companies in six of the countries concerned.

"Around a third of them were already not just thinking about Europe as one market, but taking steps to equip their key people to treat it as such," he says. "About as many again were aware they'd be affected although they hadn't decided what to do. But the other third didn't seem to acknowledge any need for different action at all."

In contrast to those laggardly employers, numerous young Europeans have realised that career paths will be changed by the freedom of movement across national boundaries implied by 1992. To have the best chance of getting to the top in managerial work, they will need to be highly mobile between countries. So, while a standard passport may be less significant within Europe, great importance is likely to be attached to qualifications seen by employers throughout the single market as a passport to senior jobs.

The object of international mobility has evidently convinced many youngsters, in continental Europe at least, that the most useful career passport will be a master's degree in business administration from a school that concentrates on international aspects of management. The resulting rise in applications for the MBA degree course at Insead - one of the relatively few schools recognised as a training ground for international managers - has led it to increase the student capacity of its one-year course from 280 to 420 in the coming year.

As yet, however, there does not seem to have been a comparable rise in demand by British young people for full-time MBA courses in their own country's business schools. Few, if any of the schools, could run the courses economically had they not cultivated large intakes from abroad, especially outside Europe. One source of overseas custom is Far East countries such as Singapore and Taiwan, which may well be sending hand-picked people to absorb western management training as a precursor to reproducing it, with cultural adjustments, in schools of their own.

Something similar evidently applies to full-time master's degree courses in US business schools. America trains far more MBAs than any other country: UK schools' total rolls of British full-time students are exceeded by the 1,500 studying for the degree at the Harvard school alone. "On the whole, though, we look to have an excess capacity for MBA teaching in the States," Professor Bower says.

If oversupply is in prospect for full-time courses in America, where people taking them are accustomed to paying their own way, it could be a worse problem in European countries where there has been greater reliance on MBA students being financed by their employers if not by the public purse. For instance, a growing reluctance of companies to pay the study costs has been noted by Mr Paul Basile of the IMI school in Geneva, another which focuses on international management.

"Five years ago most of our 50 MBA students were sponsored by employers," he reports. "But now they're almost all self-financed. Since the tuition fee for the 10-month course is 34,000 Swiss francs [£13,500], with living costs around as much again, and they're not getting a salary meanwhile, it's a heavy investment for a young manager to have to make."

The trend to self-funding by full-time students – also noted by some UK schools – may be rooted in employers' learning that one frequent result of their financing the courses is that the students move to work elsewhere soon afterwards. By contrast, however, companies seem increasingly willing to pay for promising staff to take part-time MBA courses which require the students to invest a good many leisure hours as well as being given occasional days off for study by their employer.

While part-time master's degree programmes have been developed by some continental schools, such as Nyenrode in the Netherlands, their growth has been especially strong in the UK. Several British schools have transplanted them overseas. Bath University, for example, runs one in Malaysia in partnership with the country's own Institute of Management.

The growth looks bound to be spread farther by the distance-learning techniques pioneered by the UK's Open University: its business school already offers a diploma course centred on home study and will introduce an MBA programme next year. Henley Management College's distance-learning master's degree course has attracted 4,000 students, 3,000 overseas, since it started three years ago.

Of the many varieties of part-time MBA, none flourishes more than the type tailored to the wants of employers, either in consortia or individually - a type symptomatic of the most marked current trend in management education and training the world over. For the bulk of the increase in executive training by companies is concentrated on programmes specifically designed to develop staff's abilities within the context of the employing organisation's own culture.

Such tailor-made activities seem truly to be riding off madly in all directions. Specifically designed programmes are used in amazing profusion, and for every one laid on by an academically recognised business school there are dozens supplied by commercial training companies.

Besides fairly conventional courses, often concentrated on a particular area like applications of new technology, the tailor-mades include action-learning programmes. Among them are indoor and outdoor activities aimed at developing abilities requiring more than intellectual skills, such as leadership and team working.

Mr Peter Owen, of the UK arm of the Harbridge consulting and training group, says tailor-mades focused on people-management and on promoting innovation are in unusually high demand from European companies formed by mergers or which have otherwise undergone an upheaval in their structure. Mr George Rabstejnek, Harbridge's US-based president, confirms that the same trend is strong in America.

"After a big change, the senior managers can usually work out a good new strategy. But they then have the difficulty of enabling the rest of their managers to get large numbers of workers to understand the strategy and implement it. Carefully designed internal programmes can often be the solution."

Even so the flourishing growth of company-funded management development activity conceals certain problems. In the UK, for instance, one danger lies in the Government's policy of financing an infrastructure for the activity in state-financed educational institutions, but leaving the actual training programmes largely to private enterprise.

There is a risk of increasing neglect of executive development in public-sector organisations which, being hard pressed for money, may feel unable to afford to buy in programmes. This is especially since the management skills they need are in many

Continued on the next page

Michael Skapinker on the Charter Group debate

The call for commitment

SIR PETER Parker, former head of British Rail and now chairman of the Rockware Group, was in buoyant mood when he addressed business school graduates last year. "Those of us who have been in management all our bloody lives know that this is our moment," he said. The same sentiment could have come from any number of British industrialists.

Why are they so optimistic? First, because they believe that the national mood is more favourably disposed towards business and risk-taking than it has been for decades. Second, they are excited by the sudden burst of discussion about how best to develop Britain's managers – a debate inspired by the publication last year of two reports: one by Charles Handy of the London Business School and the other by John Constable, former director general of the British Institute of Management and Roger McCormick, then of British Petroleum.

The reports provided some chilling data on British industry's failure to establish a coherent strategy for the development of its managers. Both reports followed this up by mapping out a possible route forward, a two-part national qualification that would require young managers to combine formal study with the acquisition of practical skills.

The authors of the reports said that their proposals would require some financial backing from the government. But even more important, they said, would be the full-blooded commitment of British industry.

A group of companies responded by launching the Charter Group initiative. Its aim was to define the sort of management education that industry wanted, allowing companies, rather than educational establishments, to set the pace.

"Hitherto, we've had a supplier-dominated market," says Mr John Wybrew, executive director of one of the Charter Group's working parties. "The Charter Group members will now be able to persuade the providers to provide what's needed."

In a document prepared late last year, the Charter Group said that "in the 1960s and 1970s when the idea of the corporate State was in fashion, an initiative of this kind would have been promoted as a 'top-down' movement – from London down through the sectors of the economy. But in today's fast-moving environment such traditional forms of organisation are incapable of reacting with sufficient speed or responsiveness to local circumstances.

"If the Charter Group Initiative is to make a worthwhile and sustained contribution, it must become a grass roots 'bottom-up' movement based on local networks of organisations linked to neighbouring education/training establishments and deriving mutual benefit from the sharing of resources, experience and ideas."

"We are anxious to attract the supervisor, the first-line manager," says Mr Wybrew. "We must react against the idea that only bright young things coming out of Oxford and Cambridge can change things."

The Charter Group's preparatory work has been carried out by the Council for Management Education and Development, under the aegis of the Confederation of British Industry, the Foundation for Management Education and the British Institute of Management. Three working parties have been formed under the chairmanship of Mr John Banham, director general of the CBI, Mr Derek Hornby, chairman of Rank Xerox UK, and Mr Leonard Peach, chief executive of the National Health Service management board.

The Charter Group's first initiative, the publication of a code of management development practice (see opposite page) is likely to be relatively straightforward. Members of the Charter Group will undertake to treat their investment in management development like any other strategic investment. They will also undertake to keep their managers fully informed of the development opportunities on offer.

There could, however, be some disagreement over whether Charter Group members should agree to provide their managers with a fixed minimum number of days of education and training each year.

The Handy report pointed out that almost half of America's top companies give their managers more than five days off-the-job training each year. So do many large companies in Japan and West Germany. In Britain, by contrast, managers receive an average of only one day's training a year.

The second major initiative planned by the Group, the establishment of a national management qualification, is likely to be more controversial than the code of practice. The national qualification will introduce a new figure into British industrial and commercial life: the Chartered Manager.

Proponents of the Chartered Manager concept argue that it is important for young managers to have qualifications which are portable. Some large employers might not like it, but today's young graduate trainees are far less likely than their predecessors to be looking for a job for life. Managers now expect to move around, and many in the Charter Group believe that they should have the sort of qualifications which enable them to do so.

Until now, managers in search of recognised portable management qualifications have often qualified as accountants. The Handy report noted that Britain has over 120,000 qualified accountants, compared to 4,000 in West Germany and 6,000 in Japan.

So, argue members of the Charter Group, why not satisfy this British thirst for portable qualifications by encouraging young people to become Chartered Managers? Why not set up a Chartered Institute of Management?

Many will, of course, still become accountants, too. Last year's Charter Group document said that "the qualification, Chartered Manager, is not seen as an alternative to functional qualifications such as chartered accountant, but as a subsequent additional dimension of professionalism – a recognised measure of management proficiency and business skill.

"A typical career path would start with the development of functional professionalism – such as engineering, marketing, personnel, accountancy, law – and then proceed to the development of management professionalism as the individual becomes more deeply involved in the practice of management."

There will be various steps towards becoming a Chartered Manager, a ladder of interim qualifications. Apart from having to acquire "a foundation of continuously-updated knowledge of theory, principles and techniques on which practice is based," managers will also have to demonstrate "competence in applying this knowledge in practice".

Those advocating the Chartered Manager concept concede that it will be difficult to test the practical skills, but that the obstacles are not insurmountable.

There are those who are worried that the Chartered Manager qualification will be insufficiently flexible to respond to the management development needs of different companies, industries and regions.

Bob Garratt, vice-chairman of the Association of Management Education and Development, an organisation of trainers, consultants and academics, asks whether managers should be seeking chartered status at the very moment that other chartered professions are under attack as the last bastions of restrictive practices.

"Chartered Manager is a much more bureaucratic and mechanistic notion than we envisaged," he says. "We should be moving from the old order to the new."

● See facing page for the Code

Top managers' qualifications

Country	Degrees (%)	Accountants (000s)	MBAs (per annum)
Britain	24	120.0	1,200
US	85	300.0*	70,000
W Germany	62	3.8	0
France	65	20.0*	0
Japan	85	6.0	60

*Estimates

'Why not satisfy this British thirst for portable qualifications by encouraging young people to become Chartered Managers?'

World classes

Continued from previous page

cases different from those required in business.

A further danger lies in the concentration on programmes taken only by managers working for the same employer. It is true such courses allow companies to cater for far more of their people than they could by sending them on external programmes attended by managers from a wide variety of backgrounds. But something of great practical value can easily be lost in consequence.

As an old management proverb says: "Many of the best ideas come out of bottles." Whatever the importance of what is taught in seminars and by textbooks, lessons of at least equal worth are often learned by just chatting to fellow-students with entirely different concerns, who can safely be talked to more frankly than members of one's own organisation.

How managers think

Intuition wins over intellect

"WHICH WOULD you rather work with: people or things?" is a favourite question of careers advisers paid to guide young people's choice of jobs. The youngsters usually answer "people".

It would not be cynical to assume that before they are much older many of them will probably have changed their minds. Nor does it need a jaundiced eye to observe that the probability will be highest among those who become managers.

For management is popularly defined as "getting things done through other people". And anyone held responsible for that could be forgiven for reaching a certain conclusion. It is that, in their workplace behaviour at least, people are a specialised category of things - characteristically volatile, if not unstable on a par with nitro-glycerine.

The fact that most managers have to operate through such unpredictable materials raises a question about the current campaign in the UK to elevate management to the status of a profession. The campaign is centred on the recently established Council for Management Education and Development which has support from three august bodies: the Confederation of British Industry, the Foundation for Management Education, and the British Institute of Management.

It is nonetheless unsure that the work real-life managers do can justify the title of a profession. For example, of the numerous attempts to define what a profession is, one of the tightest was produced by the philosopher Professor Alfred North Whitehead[1]. He argued that the title:

"... means an avocation whose activities are subjected to theoretical analysis and are modified by the theoretical conclusions derived from that analysis.... Thus foresight based upon theory, and theory based upon understanding of the nature of things are essential to a profession."

Whitehead's three-tier structure of foresight built on theory founded on understanding of the nature of things is certainly one which academic business schools like to think is essential to the work of managing. But there must be doubts whether it actually is so. Nor is the reason solely that, while business schools teach many psychological and sociological theories about people, none could surely claim to be based upon understanding of their nature.

Even chief executives determining future policies rely liberally on intuition rather than theoretical reasoning. Of 70 top managers of big US companies questioned by the American management professor Weston Agor[2], 69 said they frequently used intuitive as distinct from intellectual processes when deciding something important.

One even blew the gaff on senior executives' universal practice of sending underlings scurrying to gather facts and produce analyses supposedly to guide the superiors' judgment on issues still in the balance. "Sometimes one must dress up a gut decision in 'data clothes' to make it acceptable or palatable," the US company president said. "But this fine tuning is usually after the fact of the decision."

If intuition plays a large part at the corporate heights, thinking of other than theoretical kinds plays a greater part at the less ethereal levels where the vast majority of management jobs are sited. There the work is largely dynamic, consisting of series of linked challenges. The executives are confronted with a situation requiring them to act, their action results in a new situation which requires further action... and so on.

How people actually deal with challenges of that kind has been studied by the British psychologist Dr Donald Broadbent. Although he personally upholds the importance in management work of the type of thinking based on the intellectual grasp and rational application of stated principles, his research findings[3] suggest that it is not much used in practice.

The intellectual style of thinking looks ahead, asking the question: Which of the various possible things I can do in this situation is in theory most likely to lead to the result I want to achieve?

But the findings suggest that when people are doing dynamic work they mostly reach their decisions by looking back on earlier experience, and asking themselves a different question. It is: In which ways is this situation similar to others I have previously handled with the kind of results that would satisfy requirements now?

Dr Broadbent's research also rebuts the belief that a better grasp of relevant principles by executives will necessarily improve their practical performance. He set groups of people to work at simplified management tasks, such as running a computer-simulated transport company, testing their knowledge of the principles involved both before and after several tries at the task. He also observed how their performances changed as they gained experience at it.

Most of the groups got better with practice, but in some cases their grasp of the principles meanwhile deteriorated. One of them improved in its knowledge of the principles, but its performance grew worse with practice.

It may therefore be to the good that purely intellectual learning has a subsidiary role in the training structure for managers just formulated by the British Institute of Management. The aim of the structure – which the BIM hopes will form the bottom two levels of a three-tier process leading to a pukka professional qualification – is to develop two dozen so-called "key competencies" of a practical kind. They include communicating, negotiating, and managing the system.

But the notion that effective managers can be developed out of an assemblage of competencies is doubted, to say the least, by experienced teachers of management. An example is Professor Iain Mangham, of Bath University, who says:

"I've a dreadful feeling the result would be like a man built of Lego bricks. The bits might fit together in roughly the right shape, but it couldn't be the real thing unless it was also given the essential spirit. And a special kind of spirit is all important in a good manager. You can even feel it when you see one at work: it's like watching a top-class athlete."

Moreover, not only the competencies approach but also the campaign to elevate management to a profession are questioned by Professor Charles Handy, whose study[4] of how managers are developed in other countries provided much of the initial stimulus for the campaign.

"I'm pleased about the way it is getting companies to realise the importance of management education and training, and that they ought to put serious effort into it," he says. "But I have misgivings about trying to impose a structure on it from the top down. We'd do better to be more pragmatic in the British tradition of constructing general law from particular cases. We should look at what is being done, and when we see something good, build on it.

"To say we ought to take a professional approach to management development, which I do, is not to say management ought to be made a profession, which I don't. We have too little understanding of it for it to be one."

So perhaps management should be content to remain with, albeit improving in, its present status as a craft. After all, a craft is not made inferior to a profession by the fact that its skills are founded more on practical trial-and-error learning than on lofty intellectual theory - as Alfred North Whitehead well knew. There was no reason, he wrote, for ranking people higher than others "in proportion to the dominance of abstract mentality in their lives. On the contrary, a due proportion of craftsmanship seems to breed the finer types."

Michael Dixon

[1] *Adventures of Ideas, Pelican, 1948.* [2] *The logic of intuition. Organisational Dynamics, Winter 1986.* [3] *British Journal of Psychology, 1986 no 77.* [4] *The Making of Managers. NEDO, 1987.*

Charles Handy: misgivings about structures imposed top-down

Jon Webb describes how he gave up his job to study full-time for an MBA

Not all are greedy for the big salaries

THE BILLS for mortgage repayments and so on keep rolling in. But the monthly salary arrives no longer. The reason is that five months ago, at the age of 30, I left my job as a trainee publisher to take a full-time course for a master's degree in business administration.

The idea of going for an MBA arose because, while the work I had done had been varied, I increasingly realised it was not satisfying me. The time had come to stand back and focus on where I wanted to build the future.

An MBA course promised to give me time to think as well as a sound foundation for analysing and tackling complex problems. The disadvantages, however, did not stop short at incurring costs while lacking a salary (my employer had refused to sponsor me). By stepping off the standard career ladder to study, I would risk losing touch with the real world of business.

Today, as one of 180 full-time students on the one-year master's degree programme at the City University Business School in London, I have only one regret. It is that I did not take the same step five years ago when I first realised there must be more to management than I was experiencing.

With our first examinations but a short time ahead, it seems that the past five months have flashed by - although the amount of material on which we will be examined is evidence of the work we have covered. But while the exams are our immediate concern, most of us are also thinking of the time when we will arrive back on the jobs market and of what benefit the MBA qualification is likely to be to us then.

Much has been said about the low value generally set on business training by British employers compared with those in other developed countries, especially the US, Japan and West Germany. It seems ironic that, apart from financial institutions such as banks and a few multinational groups, the only recruiters actively seeking MBA graduates are management consultancies which live by advising industry how to organise better. So why doesn't industry employ a few more MBAs itself and benefit directly from their fresh approach and up-to-date techniques?

To my possibly biased view, the answer lies in a widespread ignorance in industry of what business graduates can offer. Indeed, in one of the companies I worked for, the training officer did not know what the initials "MBA" stood for, and a colleague on the course was recently interviewed by a professional headhunter who was similarly uninformed.

> **'I have only one regret: that I did not take the same step five years ago.'**

By contrast, management consultancies, banks and the like apparently recognise that the graduates' firm grounding in analytical technique and strategic thinking can quickly be put to profitable use. Unlike most of industry too, they offer enough pay to make the training a worthwhile investment for students paying for it themselves - as the majority of us on our course are.

That is not to say all MBAs are greedy for the big salaries associated with the City. Certainly they are ambitious; otherwise they would not have undertaken the course. But most (myself included) would welcome a challenge from a smaller industrial company in return for a reasonable living wage and perhaps a share option. Many would prefer not to work for a large conglomerate, and would jump at the chance to join a start-up venture.

While there may once have been some justice in claims that business graduates are typically overloaded with theory which they lack the experience to apply, I doubt there is much truth in them now. Such criticisms do not take account of recent changes not only in MBA teaching and in the type of people who take the degree, but still more importantly in the business environment itself. The effects of those changes seem to have been widespread in management education, even though my first-hand knowledge of them is limited to the course I am on.

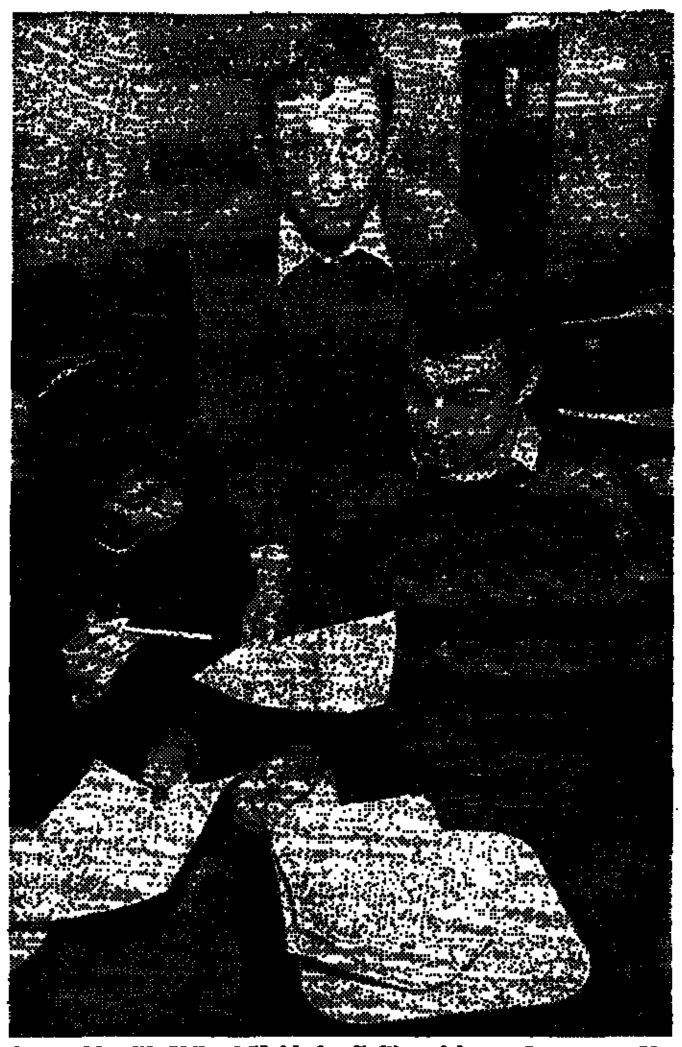
A lot of my fellow students also have eight to ten years of working experience and, like me, were anxious that stepping off the standard career ladder might leave them out of touch. That was one of our reasons for choosing City University Business School which, helped by being sited within the square mile, has close connections with City businesses and makes the most of them. Given the speed with which new financial techniques and markets have been developing, those links are of immense practical value to staff and students alike.

But besides promoting understanding of finance-sector events, the programme sets out to equip its students with industrial management skills. In addition to the core of central studies which occupy about half our time, we home in on a particular area of expertise chosen from a range of options such as export management and international business, marketing, industrial relations or finance.

Another factor which counters the risk of getting out of touch is that, even though the course lasts only 12 months, the final 10 weeks are concentrated on a specific project done in close collaboration with a company.

To gain the advantages of such an extensive and concentrated programme, the student of course pays a price - and not only in terms of cash. For example, the study is very demanding. Tuition is intense and the volume of required reading, research and coursework is often daunting, especially for those of us returning to full-time education after a lengthy gap. Anyone considering doing likewise must be prepared for their social life almost to disappear under the pile of evening and weekend work needed just to keep up.

Fortunately, in my experience, support is always on hand from fellow-students up against the same pressures. Such is the breadth of background of our group - we include 29 different nationalities -- that there seem to be few problems that cannot be solved by a number of us getting together and working as a team. So even if there were to be no other benefits, which I am sure there will be, the personal bonds forged during the year would themselves be a worthwhile reward.



Jon Webb with Shibani Mohindra (left) and James Macrae at City University's business school. "Support is always on hand from fellow students up against the same pressures."

Code for management development

Systematic management development is a priority corporate objective

We believe that the primary difference between consistently successful companies and the also-rans lies in the quality of their management. The systematic long-term development of managerial competence and professionalism at all levels in our organisations is therefore not an option. It is an essential strategic investment.

This commitment, which must be fully supported through both action and resources by top management, is also essential to the economy as a whole.

We undertake to manage our investment in management development as we would any other major strategic investment; to measure progress regularly at board level and seek opportunities to increase the scope and effectiveness of our programmes; and to make sure through published feedback that our managerial and supervisory employees know and understand the programme objectives and how they are being met.

Individual managerial development and organisational development go hand in hand

The continued effectiveness of the organisation as a whole rests upon its ability to adapt and remain competitive in the face of change – is to be a "learning organisation". We believe that, rather than fear change, managerial and supervisory employees in such an organisation should welcome it as an opportunity for personal development. This will only happen if the organisation is sensitive to their needs in its approach to handling change.

We undertake to seek opportunities for all managerial and supervisory employees to learn from different and challenging work assignments; to provide an open and readily understandable plan for every manager to progress, with regular performance appraisal; and to reward achievement.

We believe that tomorrow's organisations will have fewer hierarchical levels and more flexible structures. Progress in tomorrow's managerial jobs may often be recognised not by upward progression, as in the past, but by greater freedom of action, responsibility and reward at the same level.

We undertake, wherever possible, to reduce the uncertainty surrounding the individual manager's career progression; to ensure that every individual understands what is required of him or her, and the opportunities that may result from investment in self-improvement.

Individual initiative requires corporate support

We believe that competitive pressures will increase the demands upon managers at all levels. We must therefore encourage all managers or potential managers to engage in a continuous programme of self-improvement and work-based development of their skills and competencies.

We undertake to back the initiative of managers who wish to improve their competencies in areas relevant to their work. We will support them financially and by providing timely and appropriate learning resources, advice and development opportunities.

We believe that the learning organisation has considerable scope to provide all managers engaged in self-improvement with a variety of development opportunities over and above the normal demands of their job. These may take the form of off-the-job training; work-based assignments; coaching and mentoring; self-study or any combination.

> **The final version of this draft code from the Charter Group, abridged here, is likely to be approved by mid-April. See opposite page for the background to the code**

We undertake to support managers engaged in systematic self-development by releasing them from the normal demands of the job for an average of at least 10 working days a year.

Access to professional qualifications is an important motivator

We believe that recognised professional qualifications are a form of intellectual property right. In particular for younger employees looking for a measure of security amidst rapid business change, the opportunity to gain such qualifications as a by-product of management development is an important motivator. This is especially true when the qualifications are recognised internationally.

We undertake to encourage and support managers in seeking work-related professional qualifications of all kinds. We will do so by:

- Co-operating with the relevant professional bodies, including those concerned with managerial qualifications;
- promoting the cause of management professionalism both internally and to other organisations.

An effective programme of management development requires an understanding of what skills and knowledge managers need

We believe that all managers require certain common competencies, which form a basic professional standard. In addition, they may require specific competencies and knowledge related to their job function or to their particular organisation.

We undertake to ensure that all our managers both understand the competencies they need and have the facilities and support to acquire them, and we undertake to reassess those competencies from time to time.

Individual development starts with a coherent management development plan and infrastructure for the organisation as a whole

We believe that every manager, regardless of age, position or eligibility for promotion is capable of increasing his (or her) contribution to the organisation and the satisfaction obtained from work, through systematic personal development.

We believe that this will only occur under a human resources strategy that includes: frequent, honest performance appraisal; and a well-defined and coherent system of career planning and reward.

We undertake to install and constantly seek to improve our internal infrastructure for systematic management development.

We undertake to ensure that at least once a year each manager or potential manager has the opportunity to discuss in detail with his or her supervisor: how he has performed against his development plan and agreed objectives within his present job; how closely his development plan now meets both his needs and those of the organisation, and what changes should be made; his career prospects within the organisation including the opportunity to progress horizontally: the quality and relevance of the development support he has received and activities he has undertaken since the previous appraisal; new development objectives for the next period and the support that these will require from the organisation, and in particular, from the supervisor.

Organisations must learn, too. They do so most effectively by creating an environment where constant learning by individuals is a natural behaviour

We believe that people benefit from teaching each other; that every manager can be both student and teacher to his peers, subordinates and more senior colleagues.

We require all managers, from the top to the bottom of the organisation, to contribute directly to developing the competencies of their colleagues, but particularly of those people under their supervision. Their own performance and rewards will be assessed at least in part on their success in coaching others and motivating them to self-improvement.

We undertake to support senior managers in acting as personal guides or mentors to more junior colleagues, of any age, where this will be of benefit to the junior manager's development.

We can add value to our management education and development efforts by participating in existing networks and helping to create others

We believe that networks of

Continued on the next page

Tailor-made portable qualifications

Theory is practised at work

WHEN NSK Bearings Europe announced it would substantially increase the size of its British factory in the north-east of England, Eddie Jones, the personnel manager, decided to send his supervisors for some management training.

The problem was that he could not allow them any time off work to attend lectures or courses. With employee numbers set to rise from 310 to 560 over 12 months, he would need all his supervisors on site.

He wanted a training course which would enable his supervisors to combine book learning with practical tasks that would help them in their day-to-day work. He also wanted them to emerge at the end of it all with a recognised, portable qualification.

Fortunately for him, several British educational institutions now offer management courses which combine theoretical knowledge with practical work. Their courses are also tailored to suit individual managers and companies. The institutions are responding to what Professor Andrew Thomson, dean of the Open University's new school of management, calls "the real challenge for management schools in the 1990s . . . To marry university materials and standards to the need of individual managers and organisations."


Andrew Thomson: marrying standards to needs

Eddie Jones decided that the best course for his supervisors would be one run by the Northern Regional Management Centre in Washington, Tyne and Wear. The NRMC was set up in 1980 under the auspices of Newcastle, Sunderland and Teesside polytechnics.

NRMC offers a 12-month Certificate in Management Studies for junior and middle managers. Plans to offer a Masters of Business Administration degree are at a fairly advanced stage.

The philosophy of the NRMC, as set out by John Gritton, its director, is that "you can't define a manager. They are all ages, backgrounds, areas. We said let's forget about trying to define management. Let's define a method that will enable us to deal with people as individuals. Let's make it possible for each person to define his or her own training needs. Let's ensure that the employer is involved and that the training can be done at the place of work."

To start with, six NSK supervisors registered for the Certificate in Management Studies. They began by working their way through four workbooks. The books covered such subjects as "What is Management", "Managing People", "Managing Money" and "Operations Management".

All the work was done during the supervisors' own time. "With working shifts, it's impossible to go out and do any form of college course. With this workbook method of learning I could more or less do it when I wanted," said John Dockrill, one of the supervisors.

Managers doing NRMC courses are asked to carry out individual assignments which are related to their everyday work. They are also asked to agree to a set of "management learning contracts", which are drawn up by the student, his or her tutor and the employer.

One of the NSK supervisors, for example, contracted to improve the management of his time. Another decided that he needed to improve his spelling and grammar if he was ever going to be an effective manager.

On the course, "we did have an element of competition between us to see who was going to finish first," John Dockrill says. "We spent most of our time working alone. In retrospect this was a mistake."

Competition did, however, mean that even during difficult times, the supervisors were reluctant to give up the course. John Dockrill even managed to persevere with the course during a three-month visit to NSK's parent company in Japan.

Eddie Jones says that on the next course the company runs, however, he would like to see the supervisors spending more time talking about their work, over lunch, for example.

Co-operation is an important aspect of another company course: the MBA programme recently established by accountants and management consultants Arthur Young. The course is being run in conjunction with the International Management Centre from Buckingham, which offers an Action Learning MBA Development Programme.

Arthur Young's Brian Chandler says that one of the reasons the company decided to introduce the MBA was a realisation that its managers were carrying out complex and demanding tasks without receiving any academic qualification in return.

"We wanted our people to get recognition for the things they were doing in Arthur Young," he says. "What those managers are accomplishing is worth many times what an academic MBA is worth."

The IMCB MBA usually takes 18 months to complete, during which time managers continue to work. Twelve Arthur Young managers started the course a year ago. "They get together for four-day weekends with tutors who will tend to come from fairly high operating positions in recognised blue chip household name companies. The key to the action learning process is the sharing of problems and ways of overcoming those problems," he says.

The Arthur Young managers are now beginning the projects which form part of their course. "They choose the project with their supervisor. The subject will be something of value to the corporate beast Arthur Young," Chandler says.

One of the projects is to come up with a computer system for Arthur Young and implement it. Another project is to develop a marketing strategy to raise the image within the community of one of Arthur Young's offices.

Another major firm of accountants and management consultants, Coopers and Lybrand, says that it, too, intends to launch an MBA in May this year. The MBA will be a joint project with at least three other "major national and international organisations" which will form a consortium with Coopers.

Coopers says that in the MBA "in-house projects of benefit to the firm will make up about 50 per cent of the work-load." There will also be at least 14 weeks of classroom tuition.

In numerical terms, the most ambitious project, however, is that of the Open University. The OU's new school of management expects to be training 20,000 managers each year by 1993. All of them will remain in their jobs while they study.

Michael Skapinker

Team building

Seven go to Devon

"I'VE THOUGHT back on it a lot these past nine months," said Paul Morgan. He was talking about a team-building course that he and six fellow members of the graphics unit of the Tektronix UK company had gone through in May last year at the River Dart Centre in Devon.

"It has definitely proved valuable," Mr Morgan continued. "I think groups like ours would benefit by doing something like that at least once a year."

The seven Tektronix executives, who at the time of the course were all concerned with sales of the company's high-tech work-stations, had sampled team-skills training before. But the previous programme had been an indoor event, in which they had combined in exercises such as building complex structures from an assortment of materials, and then reviewing their performances with critical aid from the company's external training consultant, Mark Walters.

On the course in Devon, which was a much more robust experience, the seven were accompanied not only by Peter Jones, Tektronix UK's personnel director, but also by me. I had accepted Mr Jones's invitation to attend, believing that I would be purely an observer. But that impression was abruptly dispelled within an hour of our arrival at the centre on the edge of Dartmoor.

By then the visiting party, together with two of the centre's instructors, were already donning overalls and helmets fitted with lamps, ready to go caving. During the preparations, Mr Walters appeared alongside me and whispered: "Don't tell anyone, but when we turn back at the end of the cave we go down a slippery slope, and I'd be grateful if you'd fall and pretend to break your leg or something. We want to find out how they cope in an emergency, you see."

The answer was that they coped very well in heaving 13 stone of fitfully screaming and feignedly fainting Dixon through the cave's corkscrew passages, sometimes thigh-deep in rheumy orange mud. It was a couple of hours before they regained the open air and gently laid their burden down. Whereupon they were somewhat miffed to see it spring up again, jump about on the supposedly broken limb, and pronounce itself miraculously cured.

Unfortunately the teamwork deteriorated when the seven gathered after dinner to consider what lessons their respective performances in the cave-rescue might offer for improving their normal work together.

"We're not having a frank discussion," said Paul Morgan after about two hours of talk had gone by. "We're just circling round the main points, hitting out and covering up, as usual."

Early the following morning – a Saturday – the centre's minibus carted us on to Dartmoor for an exercise named "The Eagle has Landed". Why it should be called that was not clear. It consisted of interpreting the map and a few terse instructions, to find a pile of ropes and associated paraphernalia, throw a bridge over a river, rescue a mountaineering damsel in distress from half-way down a cliff, and stretcher her to a specified pick-up point. But nobody spotted anything odd about the exercise's title until its meaning suddenly became obvious.

The hidden equipment, including one rope weighing over a hundredweight, was found fairly quickly and humped to the river, which was bridged in good time. Soon three of the seven were nervously abseiling down to recover the stranded lady, who supposedly had *both* legs broken. She and the equipment were then carried up the long hill which chief map-reader Paul had identified as leading to the specified destination.

It was not long before the minibus came into view, and the party reached it a good 15 minutes before pick-up time. Within a few minutes, however, some of the team sensed that something was amiss. They rechecked the map, snooped around in different directions, and returned only to disagree about what to do.

The one who saved the day was Dave Pettit, then second in command and now the manager of the team in real life. Seeing that the course-leaders and hangers-on had gone to observe events from the top of a hill some 200 yards from the minibus, he ran up to them and looked into the field beyond. "Get that stuff up here quick," he shouted.

His colleagues did so – which was just as well. By the time they arrived, the "eagle", in the shape of a helicopter, was whirring in to land on the marker that Mr Pettit had spotted in the field. The pilot's orders said that, if the rescue party was not on the spot when he set down, he must fly away immediately.

Even so, when the seven were seated once more round the after-dinner trolley of bottles, they admitted frankly that the teamwork had collapsed after they had reached the decoy minibus. And the same thing happened yet again when they tried to set up a way of defining systematically the particular learning objectives that each one wanted to pursue in the course's final exercise next morning, and how to organise so as to fulfil the maximum range of personal objectives.

Sunday morning dawned clear and cheerful, and the exercise was extremely complex. It set a cost and pay-off, represented by "Monopoly" money, on each of a wide range of tough activities. The object was for the team to put their heads together and work out what would be the most profitable mix of pursuits, such as caving, canoeing, rock-climbing and abseiling, they could do in the time available.

For a long time they either just stood around re-reading the instructions, or ran round in circles on matters of at best secondary importance. In the end, each managed to achieve one abseil, and most did a couple of short climbs. But that was all. The highly profitable canoeing options, let alone a second plunge into the waterlogged cave, were neglected entirely.


Testing times at the River Dart Centre, Devon

Nevertheless, looking back on the course nine months later, another of the seven – Howard Rippiner – agrees that it was a good investment, both for the individuals who gave up their weekend, and for Tektronix which paid the fees and expenses.

"I know we went wrong a lot," he said, "but we each learned important things about ourselves as well as the others. Having pressure like that on you makes you recognise it's essential to work as a team. I think the biggest single benefit is in helping you to keep the end goal in view although you may be swamped with detail."

Michael Dixon

Draft code

Continued from previous page

employers and providers of management development resources are an essential means of advancing and disseminating the professionalism of management.

We undertake to participate actively in appropriate local and national networks. In particular, we will play an active part in the Charter Group and help form and maintain Charter Group networks local to our operations.

Modern management development requires the integration of learning and work in one continuous process. In the same way, providing the right kinds of support to meet development needs entails closer links between our organisation and providers such as educational institutions, training consultants and the creators of learning materials.

Closer integration between businesses and providers of management development resources is essential

We believe that the more closely external providers become involved with our business problems and issues, the greater help they can provide in helping us meet corporate objectives. We believe conversely, that our managers can act as providers by contributing their first hand experience.

We undertake, both as an organisation and together with other members of our Charter Group network(s), to establish close links with external providers of management development resources.

Motivation for management development begins before young people join the workforce

We believe that the health of businesses in general and of our business in particular depends increasingly upon attracting a fair share of the brightest and most capable young people.

We undertake, both directly and through the many organisations working to improve relationships between business and schools, to play an active part in sharing with teachers and pupils the job satisfaction that attends a successful career as a professional manager.

INTERNATIONAL COMPANIES AND FINANCE

Haig Simonian on the investment benefits offered by a firmer D-Mark and October's fall in share prices

German corporations set for US buying spree

HAD HOECHST, West Germany's leading chemicals conglomerate, waited a year before making its $2.85bn takeover of Celanese, the US chemicals group, in December 1986 it could have saved DM470m ($278.1m).

That, at least, is how much less it would have paid had it converted the $1.25bn it injected into its US subsidiary at last December's record low of DM1.5815 against the dollar, rather than the DM1.96 that applied in late December 1986.

The saving is striking. And this is only one aspect of the fall in the dollar which has led to predictions of a West German corporate buying spree in the US in 1988.

US targets have become cheap in D-Marks and acquisitions have become even better value since October's sharp fall in share prices. Moreover, many West German exporters are finding that their domestic currency has made their goods less competitive abroad.

But according to many German corporate financial executives and bankers, such factors are not important.

Mr Ronaldo Schmitz, finance director of BASF, the chemicals giant, said: "No one buys a company abroad just because of the weak dollar."

Adds Mr Richard Weigmann, Hoechst's treasurer: "The weak dollar changes practically nothing for Hoechst."

The real reason for crossing the Atlantic is demonstrated by Germany's big three chemicals companies.

After years of both organic and acquisitive growth, all have substantial self-standing operations in the US, which have largely insulated them from exchange rate volatility.

Bayer, which had 1987 turnover of just over DM37bn, generates 21 per cent of its total sales in the US. Some 90 per cent of its $4.3bn US turnover was produced on the spot.

Partly in response to the cheaper dollar, Bayer's US operation has stepped up exports to customers in South America, Europe and the Far East. More recently, US production has also been used as a substitute for German exports to certain South American and Far East markets where competition has grown because of the rising D-Mark.

The story is slightly different at Hoechst, which is primarily a producer of commodity, rather than specialty, chemicals.

About 25 per cent of group turnover now comes from the US, most of which is locally produced. Hoechst has not yet made any radical changes to its international production patterns as a result of exchange rate developments, since it sees plenty of room for growth in the US market before it turns to exports.

The company says that exporting from the US to Germany or to other markets previously supplied by the parent company is not necessarily economically attractive for a commodity chemicals producer, despite the cheaper dollar, owing to the costs involved.

However, one Hoechst official admits that there could be arguments for sales from the US to South America, "although it is not really being done to any degree yet."

Thus it is strategic, not currency, considerations which have driven German acquisitions in the US, according to many mergers and acquisitions (M&A) specialists and corporate financial executives.

Mr Herbert Lohneiss, head of Morgan Guaranty's M&A business in Frankfurt, says: "I am not aware of any case where the decision of a major client to move into the US was predicted on the value of the dollar."

These strategic reasons are plain enough. The extent to which any German company's exports have been under pressure depends on its foreign sales and invoicing patterns.

According to Dresdner Bank, exporters invoice a good 80 per cent of their sales in D-Marks, 8 per cent in dollars, 6 per cent in EMS currencies and the remainder principally in Swiss francs.

So, for the German exporters most heavily exposed to the dollar, buying a US counterpart may make sense.

But they are still highly selective. They seldom buy for expertise, although acquisitions in areas where the US specialises, like microchips and specialty chemicals, are exceptions.

According to Mr Dirk Rotthaus, an ex-engineer who heads Frankfurt Consult, the M&A subsidiary of Berliner Handels-und Frankfurter Bank: "German firms would like to buy into the US market, but today there are relatively few areas where they would be buying any new developments."

Buying a US company might offer a secure sales or distribution network, or simply provide a more secure customer base at a time when some German manufacturers are worried about being squeezed out.

Other motives for US takeovers come straight out of the textbook. Any company, irrespective of nationality, must think about expanding abroad once it reaches a certain size and starts to come up against anti-trust barriers at home.

Domestic acquisition opportunities may be limited, even where cartel considerations do not apply. That is especially true in Germany, where relatively few companies are publicly quoted by international standards, hostile takeovers are unknown and many top corporate names remain tightly held in private hands.

Mr Peter Kellner, an M&A specialist heading Morgan Stanley in Frankfurt, says: "Companies throughout the world are looking at their competitive position."

Such industrial consolidation is not limited to Germany but has been seen all over the world, especially in the past two years.

Consolidation helps to explain why Germany's chemicals giants, in particular, have been so active in the US. Production processes and the nature of the market means chemicals groups have to be big, notes Mr Schmitz.

Tax and anti-trust considerations have also played a part in influencing acquisitions. The US anti-trust environment has never been more liberal than under the Reagan Administration, notes Mr Siegfried Drueker, a Morgan Stanley M&A specialist.

Virtually every takeover has been approved, although there have been signs recently that Justice Department and Federal Trade Commission officials are tightening up.

MAJOR WEST GERMAN CORPORATE ACQUISITIONS IN NORTH AMERICA SINCE 1985

Buyer	Date	Value ($m)	Target
BASF	Dec 87	500†	Latex business of Polysar Energy
BASF	May 85	1,000	Inmont
Hoechst	Nov 86	2,850	Celanese
Bertelsmann	Sept 86	300	Outstanding share in RCA records
Bertelsmann	Oct 86	475	Doubleday
Continental	June 86	650	General Tire
Siemens	Aug 86	420	See footnote*
The One That Got Away			
Siemens	Jan 85	$1.5bn	Allen Bradley

*"Compensation" to GTE for telecommunications operations being put into new joint venture.
†Canadian dollars

Cable & Wireless reinforces Caribbean bastion

Canute James on the UK group's resolve to protect its interests

CABLE & WIRELESS, the British telecommunications company, is increasing its presence in the Caribbean, despite a reverse in Belize, where a wrangle with British Telecom has ended with BT buying 25 per cent of the telephone and telex services.

C&W is spending about $200m over the next three years to modernise the region's telecommunications systems. It is expanding particularly in the English-speaking countries, where it has been heavily involved in the development of domestic and external telecommunications for years.

"We are expanding in the region, and we are doing this to protect our investments in the Caribbean," says Mr Tom Chellew, a C&W executive director.

While upgrading systems, C&W has also entered several joint ventures with local companies, most of them state-owned, to manage and develop telecommunications services.

"Most of the developments in the region involve improvement of equipment and many digital systems are being put in," Mr Chellew explains.

In Dominica, C&W recently inaugurated a digital telephone exchange costing $11m, to provide additional lines and meet the island's telecommunications needs until the year 2000.

The administration in Montserrat has granted a 20-year extension of a communications franchise to C&W, which has installed a $12m digital system on the island. The company has also opened a new exchange in Bequia, a ward of St Vincent, and improvements in systems on other islands in the group are planned at a cost of $25m.

C&W's approach to joint ventures with regional telecommunications companies, Mr Chellew explains, is based on the conclusion that it makes better sense for national telephone services and external communications to be run by different bodies.

It is because of this belief that C&W has bought a 30 per cent stake in Telecommunications of Jamaica, a new holding company for Jamaica Telephone Company and Jamaica International Telecommunications. The investment cost C&W $40m, according to local officials.

In Grenada, the company and the government-owned Grenada Telephone Company have agreed on a new joint venture to operate the island's domestic and external telecommunications. C&W has already made a cash advance to the Government, which Mr Herbert Blaize, the Prime Minister, says was about $10m.

Earlier, in neighbouring Barbados, C&W bought a 65 per cent shareholding in Barbados Telephone Company, with the Government holding 10 per cent and the public 25 per cent.

C&W failed, however, to put together a similar joint venture in Belize, in what Mr Chellew euphemistically described as "an involuntary divestment" after the company had proposed an expansion plan with new investment. The Belize Government bought the assets of C&W and put a new public company, Belize Telecommunications, in charge of telephone and telex services.

The assets were purchased for $2.4m, after C&W refused an offer to take a 25 per cent stake in Belize Telecommunications. The Government, which has taken a 51 per cent stake in the new company, is now to sell the 25 per cent stake to BT.

The increased investments, and the expansion of its presence in the Caribbean, are also intended by C&W to protect its turf from other companies. In recent years Northern Telecom of Canada has been supplying new equipment to telecommunications companies in several Caribbean islands.

More recently American Telephone & Telegraph has started co-ordinating the construction and laying of a fibre-optic cable linking several Caribbean countries. The venture, to cost $140m, will bring digital facilities to most of the Caribbean countries and will link Colombia, Jamaica, the Dominican Republic, Puerto Rico and Florida.

Mr John Berndt, AT&T senior vice-president for international services, says the partners in the venture have prepared proposals for financing the cable, and that the system should be in place by mid-1990.

C&W's next big involvement in the region's telecommunications could be in Aruba, which wants to upgrade its system. "The Government in Aruba does not like the existing system and they would like to change it," Mr Chellew says. "They are talking to us about it – and to other companies. We are very interested."

THE PROPERTY MARKET BY WILLIAM COCHRANE

Transatlantic lessons in retail development

WHILE US consumer spending is expected to see its seventh straight year of growth in 1988, with January's $12bn (£6.6bn) tax cuts followed by refunds in April, the North American shopping centre industry is still nervous about its condition. The question is whether Europe, where retail development is still accelerating, can learn anything from transatlantic experience.

Overbuilding of shopping centres, for tax avoidance purposes rather than to satisfy retail demand, is obvious in Florida, Texas and parts of southern California; in the corporate finance market, leveraged buyouts and takeovers have led to groups owning two "anchor" department stores in one mall, leaving them with the option of closing one, or converting it into a discounter – neither of those being particularly healthy solutions for the landlord.

Even the toughest retailers – dubbed "category killers" for their attitude towards the competition – were expressing their concern, this week and last, at the International Council of Shopping Centers' (ICSC) European conference in Geneva.

Al Sussman, a senior adviser and trustee to the ICSC, advised developers to go back to the customer. "Customers," he said, "still want the best centres; the best merchandise; and at the price that they can afford. If they can afford it, they may pay a premium for service, convenience and style.

"We should be building for the customer. All of these mergers, takeovers and buyouts are stripping department stores down to the bare bones, and other retailers too. We've never known anything like it."

Mr Sussman referred to the growth which had taken shopping centres to more than 50 per cent of non-automotive, US retail sales. "Now developers are taking over shopping centres. I don't know how good this is for retailing, but I'm sure it isn't good for development."

Europe has its own concerns. Albert van Stek is president of Winkel and Projekt Management of the Netherlands, which manages 20 shopping centres and is involved in the development and refurbishment of 16 others.

He talked of population mobility, a changing consumer profile and "a drastic alteration in the accessibility of the leasing market" as of January 1 1993, "when the borders within the European Community are to be opened for the free traffic of goods, services, capital and people.

"Already we can see that some national stores chains are preparing for that moment," said Mr van Stek. "They are beginning to show increasing interest in other countries and they are making contingency plans for a new market situation."

Britain's Marks & Spencer, of course, is looking at the US via its proposed Brooks Brothers acquisition. It is also concerned about the domestic situation. Peter Spriddell, director of estates for M & S and president of the British Council of Shopping Centres, said that profitability was likely to come under pressure.

"Retailers are – and are going to be – faced with increased operating costs," he said. This reflected both customers' desire for a higher level of staffing and service, and the expense of information technology.

Mr Spriddell said that the need to remodel stores was increasing. "The store of the future used to last 10 years, now it lasts a very few years."

All of this begs the question of whether the current, high and accelerating rate of UK retail development is simply adding to the total of shopping centres in the UK, or partly replacing what already exists.

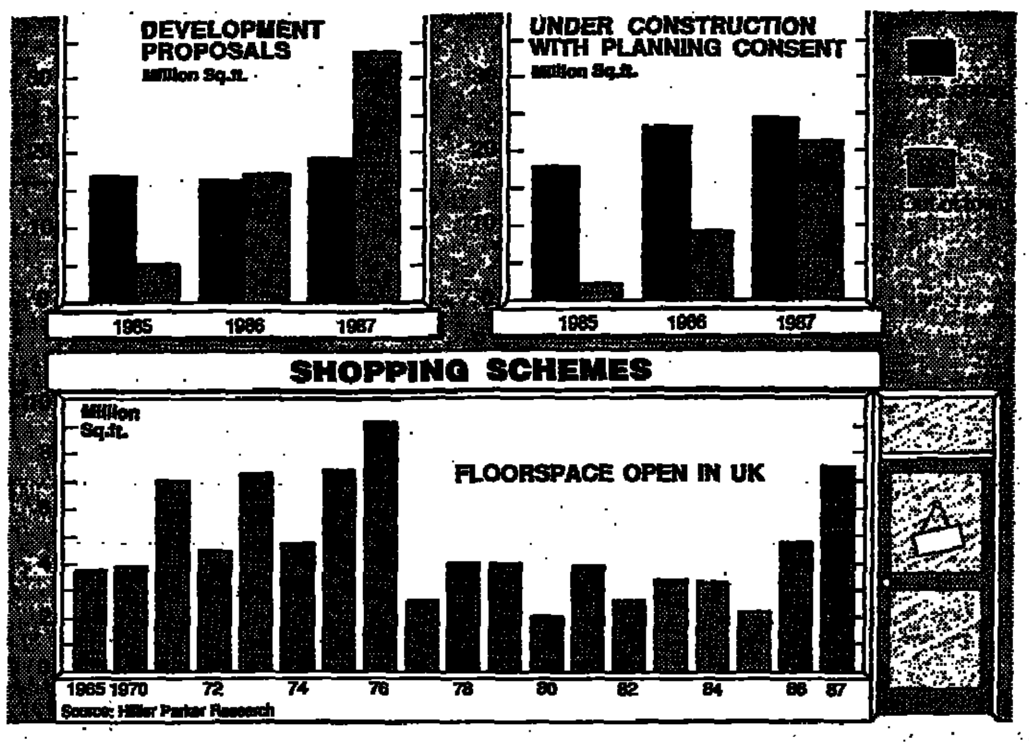
Harold Couch, a partner in Hillier Parker Research, said that last year, in total, 55 centres of 50,000 sq ft or more were opened in the UK, providing a total of 7.6m sq ft. "Almost without exception these centres have let well, reflecting the strong demand from traders and continuing strong growth in consumer expenditure. This has led to very strong rental growth and, between November 1986 and November 1987, rents for prime shops in the UK rose on average by 28.4 per cent."

This is driving development out of Britain's congested inner cities and its conservation-minded towns. There has been much pressure to prevent massive regional malls on the US pattern developing out of town and draining the cities, but the growth of other forms of peripheral retailing has been more insidious.

Mr Couch calculated that, of the total floorspace developed in the UK last year, about 4.4m sq ft was developed in town centres and about 3.2m sq ft out of town. No purpose-built managed shopping centre was opened out of town in the UK during 1987; but retail warehouses, retail parks (clusters of warehouses) and district centres based on large food stores took up the running.

The future, he said, was likely to see development peaks in the 1990s overtaking the record levels of the mid-1970s. The start this decade of a major programme of refurbishment of Britain's 1950s and 1960s town centre schemes is likely to run in parallel with a new trend: the total redevelopment of some of those centres.

London & Edinburgh Trust's plan to transform the centre of Birmingham, by demolishing the old Bull Ring and building 1m sq ft anew, is a case in point. The industry has a lot of work ahead, however, in securing local authority support for the provision of the new roads, car parks and a better urban environment required by the modern town centre.



Mixing business with leisure

THE ROLE of leisure facilities in shopping centres has been the subject of heated debate in recent years. But the mega-centre, which had seemed under threat, is not dead yet.

Maurice Sunderland, the architect who designed the prototype West Edmonton Mall, in Alberta, Canada, with its 5m sq ft of shopping, wave-pool, white-knuckle roller-coaster, submarines and dolphins, is in harness again with Triple A, the mall's owners.

They plan something even bigger: a project stretching to 10m sq ft called the Fashion Mall of America at Bloomington, Minnesota. Bloomington has a population of only 80,000, but Mr Sunderland pointed out, at the ICSC conference, that there were 33m people within 200 miles of the town.

The UK, however, is going to be different, according to Allan Chisholm, managing director of Bredero Properties. He said town centre shopping would remain the dominant element in the UK. The role leisure could play, on high-cost sites with limited parking facilities, was limited.

James Bullock, president of both the ICSC and the big developer Cadillac Fairview of Toronto, said his company's philosophy for the late 1980s and early 1990s was "F, F and E" – food, fashion and entertainment. Cadillac Fairview owns the Woodbine Centre in Toronto which combines 650,000 sq ft of shopping with a manageable 43,000 sq ft of leisure; the latter has nine ride attractions, aimed at children aged nine and under.

He believes that leisure can make a small positive cash flow and that the Woodbine – "competing with two of the finest shopping centres in Canada in the Yorkdale and the Eaton" – needed an extra attraction.

Ron McCarthy, who designed the leisure elements at both Woodbine and West Edmonton – not to mention Metroland in Gateshead's MetroCentre – is now aiming for truly integrated leisure, entertainment and retailing at Stadium Developments' 1m sq ft-plus Meadowhall project near Sheffield.

The retailing is part of a master plan for the area. Its leisure facilities will include aquariums, a sculpture court and a garden tearoom; a children's entertainment centre which will keep the younger generation busy while parents shop; and a lot of live entertainment.

There are a lot of "noes", where the shopping is concerned. "No skating rink, no iron rides, no submarine, no waterpark in the middle of the mall," said Mr McCarthy. "Who wants to go shopping in a wet bathing suit?"

The master plan also includes a hotel complex, with Europe's largest indoor water-park; a separate leisure pavilion with a 14-screen cinema, a snooker hall, 10-pin bowling and a nightclub.

مكاتب للإيجار

Upon the instructions of Land Securities PLC

St James's London SW1

New air-conditioned office building

13,550 sq. ft.

Immediately available with car parking

Joint sole agents

Richard Ellis 01-629 6290

SAVILLS 01-499 8644

GARDEN HOUSE

17/19 THROGMORTON AVENUE & 21 AUSTIN FRIARS LONDON EC2

AVAILABLE FOR OCCUPATION DURING 1988

54,000 SQUARE FEET

A NEWLY COMPLETED AIR CONDITIONED OFFICE DEVELOPMENT

FULLY FITTED OFFERING IMMEDIATE POSSESSION

LEASE TO BE ASSIGNED

LOW RENT FIXED UNTIL 1991.

FOR DETAILED INFORMATION CONTACT SOLE AGENTS

MORGAN GRENFELL LAURIE

01-588 1920

EDWARD SYMMONS & PARTNERS

56/62 Wilton Road London SW1V 1DH

01-834 8454

LONDON MANCHESTER LIVERPOOL BRISTOL

INVESTMENTS

of interest to Investors and Developers

Arlingham Mews, Sun Street, Waltham Abbey

A recently completed development behind a Period Facade in the Town Centre

The development provides:—

14 Retail Units

Offices at first and second floors

90% let and producing £78,000 per annum

Full rental value circa £105,000 per annum

FREEHOLD FOR SALE

Refs RS/MJC

JERSEY CHANNEL ISLANDS

PRIME OFFICE DEVELOPMENT

FREEHOLD SITE FOR SALE BY TENDER at 28-30 the Parade, St Helier, Jersey.

PLANNING APPROVAL GRANTED to provide approximately 29,875 square feet of floor area.

ENQUIRIES TO

Tel: 0534-55496 FAX: 0534-55742.

Tenders to be received by noon on the 21st April 1988

On the instructions of South East Thames Regional Health Authority on behalf of the Secretary of State for Social Services

Darenth Park Hospital Dartford Kent

Available Late 1988

Hospital buildings, many severely storm damaged, providing approximately 520,000 sq ft gross of accommodation on an extensive Green Belt site.

Enquiries invited from retained agents or principals interested in acquiring the property to use the existing buildings for institutional or other uses.

DEBENHAM TEWSON & CHINNOCKS

01-236 1520

Enterprise Zone Developments

100% tax relief

100% IBAs are available on industrial/office units in the Rotherham and Clydebank Enterprise Zones.

Prices range from £142,300 to over £1m.

Documents are ready for immediate exchange.

For further information contact:
Jeremy Bolland
EZD Property Group PLC
World Trade Centre
London E1 9UN
Tel: 01-480 7513

Enterprise Zone Developments

Offices

TO LET

St. Paul's Churchyard London EC4

1,638 sq.ft. to 3,630 sq.ft.

Air-Conditioned

24 Hour Access

Richard Ellis

Chartered Surveyors
55 Old Broad Street, London EC2M 1LP
Telephone: 01-256 6411

RECENTLY OPENED AT 36 FENCHURCH STREET LONDON EC3

FULLY SERVICED OFFICES AVAILABLE

SHORT OR LONG TERM OCCUPATION

PRESTIGIOUS BOARDROOM AND CONFERENCE FACILITIES

REUTERS*TOPIC*AND TELERATE LINES

PHONE ALISON GOURLAY FOR DETAILS

01-929-5252

LOCAL LONDON GROUP PLC

M25 Campus Offices

up to 175,000 sq.ft. Available 1989 Principals Only.

Apply Box T6895, Financial Times, 10 Cannon Street, London EC4A 4BY.

Liverpool Airport

Prestige Office/Light Ind Building

13,000 sq.ft.

3 floors, built 1968 for major plc, full c/h, w/c's on each floor, marble reception, car parking, M6/M62/M57 10 mins, 1 mile L/Pool Airport, 3 miles Runcorn/Wigan. £165,000 reduced to £148,000

For Quick Sale 051-486-7222.

100% I.B.A's

First Advertisement

* £47,000 - £900,000.

* Rental guarantees.

Contact Coventry Phoenix Ltd (05642) - 4678

HIGH YIELDING OFFICE INVESTMENT NEAR SWINDON

Attractive fully refurbished grade 11 listed buildings. Fully let producing £90 000 pax. Price £1.1m.

CAIRNS BAREFOOT

Tel: (0793) 615477.

Plaza Estates

Freehold Hotel London W14

2 substantial adjoining buildings on prominent corner site in an excellent location. 25 large bedrooms, recep rm, din rm, kitchen, manager's flat. Potential for extensions and modernisation.

VACANT POSSESSION

Offers in the region of £1,100,000

SOLE AGENTS.

MARBLE ARCH 01-724 3100 KNIGHTSBRIDGE 01-581 7649

FREEHOLD OFFICES E.C.1

1,000 to 11,000 sq.ft.

BOSTON GILMORE

01 351 7177

EDGWARE ROAD (CRICKLEWOOD BROADWAY) LONDON NW2

Self-Contained retail/office building of 23,000 sq ft on only two floors

TO LET/FOR SALE

SAFELAND PLC

Tel 349 - 9090.

GIBRALTAR FOR SALE

Vacant freehold site 975 square feet off main street suitable for office building and three shops. Apply Mediterranean Estate Agents Limited, 2/16 King's Yard Lane, Gibraltar.

Tel. 010 350 77789.

COVENT GARDEN WC2

AIR CONDITIONED OFFICES 10,500 SQ FT

TO LET

BOX T6884, FINANCIAL TIMES, 10 CANNON STREET, LONDON EC4P 4BY.

ENTERPRISE ZONE DEVELOPMENT 13.3% INITIAL YIELD TO 60% TAXPAYER

Prestige 17,300 sq ft, office block on prime site in highly successful Salford Enterprise Zone. 5 mins from Manchester City Centre, at start of M602 and adjacent to newly constructed fully let blocks.

PRICE £2,200,000

Paul Sykes (Development) Ltd 0937-845697.

PRUDENTIAL

Agricultural Division

WEST SOMERSET

Superbly situated leasehold Salmon-Rearing Farm - capacity for production of 100,000 smolts per year. 4 Million gallon water supply via micro strainer giving silt free supply. Rearing tanks, feeders and separate hatchery. Price to include lease, fixtures and fittings and present stock. Price £150,000 Westgate House, 45 High West Street, Dorchester, Dorset Tel (0305) 67876.

Cavendish Square W1

Super office suite 735 sq ft TO LET

Leaver Charles 01-935-6501.

UPPER STREET, ISLINGTON, N1

Freehold Shop and Upper Part. 4-storey building. Prime location close to Islington Green. £435,000.

Ring Evans Baker 354-0066.

OFFICE REQUIREMENT W1/SW1

Headquarters building for PLC Freehold or long leasehold. Minimum 5,000 sq. ft. Would consider larger property. Principals or retained Agents only.

Write to Box T6885, Financial Times, 10 Cannon Street, London, EC4P 4BY.

100% TAX ALLOWANCES

Completed Office Building

Bank Guaranteed Return Gross 15% (for top rate tax payers)

£210,000 to £1.25m

Steven Rogers/Richard Barlow

THE BROMBARD GROUP

Tel: Brighton (0273) 728311

ISLE OF DOGS ENTERPRISE ZONE PROPERTY INVESTMENTS

With 100% initial allowances available for 87-88 tax year (last chance for private investor to claim allowances at 60%)

Prices from £1.5m to £7.5m

Contact Garry Silk/Docklands 01-538 4561

Tass Whittaker/City 01-638 6040.

Jones Lang Wootton

01-638 6040

High Yielding Property

Investments urgently required. Substantial cash funds available.

Ring 01 - 706 0566.

100% TAX RELIEF AVAILABLE THIS YEAR

on office/showroom/industrial properties

KENT ENTERPRISE ZONE

Steven Rogers/Richard Barlow

at

THE BROMBARD GROUP

Tel: Brighton (0273) 728311

DOCKLANDS – ENTERPRISE ZONE

15,250 SQ. FT. BUSINESS UNIT

LEASE TO ASSIGN

£350,000

ALL ENQUIRIES

Michael Kaimar & Company SAVILLS

FARNHAM, SURREY

8,270 sq ft prestige office development with 28 parking spaces. Immediate occupation. Existing new lease available - Weller Eggar Commercial.

Tel: Farnham (0252) 712200.

---

115 EBURY STREET BELGRAVIA LONDON SW1

SUPERB LEASEHOLD OFFICE & RESIDENTIAL BUILDING

1,684 sq ft Offices and Storage

Three Flats —

One with vacant possession

ALEXANDER • REECE • THOMSON

CHARTERED SURVEYORS VALUERS ESTATE AGENTS

11 WELBECK STREET LONDON W1M 7PB

01-486 1681 FAX:01-486 4200

INVESTMENT FOR SALE

High yielding Ind/Office producing £30,000 P.A. on freehold ground. £395,000.

F.G.Burnett (0224) 572661

MAYFAIR OFFICES PROPIS PARTNERSHIP

For computer list 500 -100,000 sq ft.

Tel 01-409-0981.

M4 PROPERTY

The Financial Times proposes to publish this survey on 8th April 1988

For a full editoral synopsis and details of available advertisement positions, please contact:

JONATHAN WALLIS on 01-236-2825

or write to him at:
Bracken House
10 Cannon Street
London EC4P 4BY

VICTORIA

OFFICES TO BE LET

4525 sq.ft. Including 22 person Dealing Desk & all back up facilities (Optional).

Air conditioned, raised floors, atrium

DEBENHAM TEWSON & CHINNOCKS 01-408 1161

Ref IRM

International Property

Developer sells in Barbados, W.I.

NEW FOUR STAR HOTEL

60 rooms all with seaview, bars, restaurants, shop, conference room, swimming-pool, entertainment area. Marvellous tropical beach. Opening: Next October. Price: US$ 8,000,000.

SARPI P.O.Box 450 CH-1215 GENEVA 15 Switzerland.

Country Mansion For Sale

easy access to M25, M10, M1 and A1, London 16 miles; office permission or current considered.

Telephone (0707) 45206 between 10/12 am or after 6p.m.

100% IBA Wellingbourough E.Z.

Let at £120,000 per annum to Electrocomponents PLC. Can complete this tax year. Price - £1.9 million. Principals and fully retained Agents.

Contact Graham, J Stanton Tel (0933) 73838.

Tax Efficient Freehold Property Investments

East Midlands

Warehouse building of 26,400 sq ft on 2 acres, being only assets of company for sale. PLC tenant, rent £42,500 pa, reversion June 1990. £370k freehold.

Cavanagh William H Brown, 45/50 Maid Marian Way, Nottingham,

Tel (0602) 483000.

TECHNOLOGY

Plastics make a big splash in the kitchen

Peter Marsh explains how novel materials from ICI and Schock are set to add a dash of colour to the sink market

A COMBINATION of chemical expertise and a novel moulding process has enabled British and West German engineers to tap a potentially huge international market in making durable, colourful kitchen sinks from new plastic-based materials.

The sinks, like conventional basins made from ceramic or stainless steel, can withstand the boiling water and rough treatment they are likely to encounter in the kitchen. But unlike these products, they can be moulded relatively easily into new designs and can be coloured in a variety of shades by adding dyes.

While the new materials are currently used in only a few per cent of the 7m sinks sold annually in Western Europe, the companies making the products believe they will account for at least a fifth of the continent's sinks business by the early 1990s.

Leading the foray into the new highly durable sinks is Imperial Chemical Industries, the big UK chemicals concern which has produced a new form of plastic called Asterite. The material is made from two basic chemicals, sand and methyl methacrylate, the latter being a standard acrylic used in vinyl sheeting.

Also making a splash in the sinks market is Schock, a small family-owned West German company based near Stuttgart, which produces a similar material called Silaeron. ICI and Schock co-operated on the technology in the late 1970s, but later went their separate ways using slightly different approaches.

Both companies have persevered with signing up sink makers around the world to use their materials and technical expertise. ICI appears to be the leader, with Asterite being used to produce about 750,000 sinks annually. Schock believes its material will feature in about 400,000 sinks sold worldwide this year.

ICI has made particular progress in selling Asterite in the US and is also proud of a venture in Japan where it is selling the material to Matsushita Denko, a manufacturer of kitchen and bathroom appliances.

The Japanese company believes Asterite is tough enough to be used not only in sinks but in the soaking tubs in which many Japanese people like to sit surrounded by scalding hot water.

Both the ICI and Schock materials are based on novel dispersing agents which allow chemists to mix a very high weight of specialist grades of sand with methyl methacrylate, a liquid.

Normally such a mixture would become impossibly viscous and difficult to mould above about 40 per cent by weight of sand. But by adding other chemicals (the identities of which are kept secret for commercial reasons) the companies can increase the proportion of sand significantly – to about 70 per cent in the case of Asterite.

The material so produced has the temperature-resisting properties and some of the appearance of a ceramic substance, but can be moulded and coloured like a plastic.

The material is in the form of a liquid after mixing, and to turn this into the finished article ICI and Schock had to invent a new moulding technique. In this, the two halves of the mould shrink slightly during the casting to allow for the reduction in volume of the material as it polymerises into a solid (see accompanying article).

The details of the moulding process, which can produce highly accurate shapes in a variety of colours, are important, given that buyers of sinks are increasingly looking for special designs to fit in with the rest of their kitchens.

Such sophisticated tastes, according to Martin Casey, a business manager at ICI's acrylics division in Darwen, Lancashire, make it less likely that consumers will be satisfied with sinks made from traditional materials, or which are coated with enamel and are thus likely to chip.

The ICI division is turning out about 100,000 tonnes of Asterite a year. This is worth some £20m per annum and is shipped in drums as a liquid to the factory of a kitchen-sink maker. Here it is formed into the solid article using technical know-how which ICI also supplies.

ICI is extending the Darwen plant to increase its annual capacity to 300,000 tonnes by the end of the year. Asterite has made the biggest impact in Britain, where ICI believes the material is being used in about one-sixth of the 1.4m kitchen sinks sold each year and worth about £100m at retail prices.

Asterite basins, which are at the upper end of the price range for kitchen sinks and are normally sold for about £150, are made in the UK by companies such as Astracast, which is part of the Spring Ram group, Fordham and Stelrad Doulton.

ICI is also selling the material to other kitchen sink makers such as Jacob Delafon of France, Switzerland's Franke, Acriform in Canada and Kobler of the US.

One of the biggest users of Asterite is Dutch-based Bowic, a joint venture between Wientjes, a Dutch plastics company, and Villeroy and Boch, a leading West German maker of kitchen and bathroom equipment.

Bernard Wientjes, president of Bowic, says his company is achieving "very reasonable" sales of Asterite-based sinks in France, Germany and the Benelux countries. Wientjes, who is reluctant to give detailed sales figures, says his company had invested about £2m in its production line for Asterite sinks.

Schock, ICI's German rival, adopts a different approach in that it does not ship its material to customers. Instead it licences the technology required to formulate the substance, and customers mix their own material immediately prior to moulding.

Schock says it has handed out such licences to companies in Portugal, Spain, India, Canada and Scotland.

Wise words help break the acrylic mould

ICI'S VENTURE into the kitchen sinks business has forced the company to develop a new moulding process for forming its Asterite material into finished articles. The company's acrylics division has provided its moulding know-how to kitchen-sink makers around the world which are turning out Asterite products.

The moulding process is one of two technological advances involved in making sinks from Asterite. The other is the dispersing method used to mix a large amount of sand into methyl methacrylate, a standard plastic, while ensuring the mixture remains liquid.

ICI's involvement in kitchen sinks started in the 1970s when Ozzie Osman, a scientist at the company's paints division, hit on a new dispersing technique which he thought could be useful in the development of novel coatings. Later this was transferred to the company's plastics division.

The method is based on a polymer. Exactly which one nobody at ICI is saying, but its molecular structure comprises a long chain of organic groups with a reactive chemical entity at one end.

The reactive group binds with a molecule of silicon dioxide, the chemical found in sand, while the rest of the chain winds around the molecule, rather as a strand of cloth envelopes a mummy.

This ensures that the inorganic silicon dioxide, which would normally be difficult to mix with the organic methyl methacrylate, is coated with a substance that has surface-tension characteristics that permit a high degree of dispersion.

The resulting liquid, which can be coloured by adding various dyes and pigments, is shaped into the finished sink inside a novel kind of moulding press.

The material, once pumped in between the two halves of a mould, is heated to polymerise it to a solid. During the polymerisation, which takes about 30 minutes, the material shrinks, a process that has to be allowed for by a reduction in volume of the mould.

This is achieved by putting a flexible gasket between the two mould halves. As the chemical reaction proceeds, the two pieces of metal are squeezed towards each other, reducing the thickness of the gasket and also the total dimensions of the mould.

High quality control is necessary during the forming process to produced a virtually unblemished surface on the side of the finished sink which will be visible in the kitchen.

Companies which make Asterite sinks have had to build their own forming machines, normally with ICI's help, because such equipment is not normally available off-the-shelf from conventional machinery suppliers. ICI estimates that about 100 machines specifically constructed for its process are now in operation around the world.

WORTH WATCHING

Edited by Geoffrey Charlish

Compact store drives down access times

VERMONT RESEARCH, UK-based pioneer of fast access, highly reliable semiconductor stores to replace disk drives, is offering a compact, 128m character (128 megabyte) unit costing £5,000.

These units eliminate the electro-mechanical access time of rotating disk drives and perform in a similar way to the chip-based working storage inside computers.

The absence of moving parts on the Vermont Research products means that the average time between failures is over 30,000 hours and repairs, if any, can be carried out on site in under 30 minutes.

The machines, known as Sierras, can resist shock, vibration and adverse atmospheric conditions that would cause comparable disk drives to crash.

Interchange sparks business vitality

ELECTRONIC INTERCHANGE of data between a company and its suppliers and customers is becoming crucial to running a successful business, according to a new study by Butler Cox Foundation, the UK information technology consultancy.

Called "Electronic Data Interchange" (EDI), the study cites the case of a tool-making company that experienced a 24 per cent fall in turnover and was convinced this downturn was because two competitors had started to accept orders directly into their computer networks.

"EDI has the potential to win or lose you business, radically change your market structure, change your relationships with trading partners and even change the structure of your organisation," says Karol Szlichcinski, who led the study at Butler Cox.

Respondents to the survey said the main benefits to be achieved by the introduction of EDI were faster placing and execution of orders, improved cash flow, better stock control and improved management information.

Major retailers in the UK, Germany, and Sweden expected to be handling 80 per cent of their communication with trading partners via EDI by 1992.

The study report is only for the use of Foundation members, although management summaries are available.

Quantum leap in the writing of braille

BRAILLE TEXT, conventionally embossed using mechanical machines designed 40 years ago, can be produced from both human and electronic sources using a £500 unit called the Mountbatten Brailler.

The machine is to be manufactured and distributed exclusively by Quantum Technology of Sydney, Australia, which will appoint agents throughout the world.

Many of the machines, however, will go direct to charitable organisations and sold on from there.

The total market size is thought to be about 10,000 machines a year. Most of this is currently held by US company Perkins, which sells the conventional mechanical machine at about £350.

The new machine was designed by Pankhurst Design and Developments of London, in conjunction with the Royal National College for the Blind. The project was funded by the Mountbatten Memorial Trust.

A standard braille keyboard is used so that operator conversion from existing machines is simple for blind or partially sighted audio typists.

The six dot matrix characters are embossed on to the paper by an electromechanical head at speeds that easily exceed maximum keyboard speed.

Incorrect characters can be corrected by a special dot flattener in the head and, for training purposes, several £50 keyboard-only units can be connected to a single embossing unit.

In addition, the keyed material can be fed to a personal computer, where sighted persons can make use of it.

Conversely, text produced by sighted (or blind) people on a personal computer's "qwerty" keyboard can be sent to the brailler to be embossed.

These electronic refinements are expected to increase the employment of blind people in modern offices that use information technology.

Sandia redraws the parallel line

A TEAM at the Sandia National Laboratories in the US has pushed back the frontiers of parallel computing. It has found ways of running 1,024 processors in parallel to achieve an operation speed 1,000 times quicker than one machine working on its own. The speed increase is nearly proportional to the number of processors (each of which has the abilities of a minicomputer). Such an advance was previously thought to be impossible.

In parallel computing, problems are divided into small parts which are dealt with by many processors simultaneously, whereas in ordinary machines the parts of the problem are tackled one after the other.

The accepted view so far has been that no matter how many processors were used, operating speed increases could not exceed 50 to 100 times that of one processor working alone. Technical difficulties with software has been the speed limiting factor.

But the Sandia team, using special algorithms (rules), has concluded that provided the problem itself is scaled up in proportion to the number of processors, no barrier exists.

"This way of looking at parallelism should have a big effect on parallel computing in the next few years," says Edwin Barsis, director of computing science and mathematics at Sandia. "We have shown that obtaining high performance on large-scale parallel computers is not an insurmountable task."

Scaling up in this way particularly suits Sandia, where complex problems in nuclear power and weapons research have to be tackled. But the 1,000-processor work might also benefit other large-scale computing problems, like long range weather forecasting.

Work was carried out on the only NCUBE/Ten machine so far put into operation. Made by NCUBE Corporation of Beaverton, Oregon, it occupies a three feet cube and moves data at 7.7bn characters a second.

CONTACTS: Vermont Research: UK, 0372 376221. Butler Cox and Partners: London, 831 0101. Pankhurst Design: London, 381 6155. Sandia National Laboratories: US, (505) 844 8065.


BUDGET SUMMARY

Smiles on the faces of the rich

By Anne Caborn

BRITAIN'S better-off awoke this morning with smiles on their faces, secure in the knowledge that their six and seven figure salaries are worth considerably more.

... will be particularly ... of Brit-

After all he's married with one child and could well have a mortgage, with attendant tax relief, on his comfortable Kensington home.

But when you're talking about a saving of at least £490,000, the married man's tax allowance is simply a drop in the ocean.

... be alone in ... to a

worth at least £27,150 after tax under the present system. The new tax bands will increase that to £31,107, before personal allowances and any deductions for his mortgage.

Similar sums can be done on several other members of the rich who, no doubt, already benefit from more than a modicum of financial advice and know how to fill in a tax return correctly, or pay someone to do it for them.

Fears as covenant relief is cut

CHARITIES

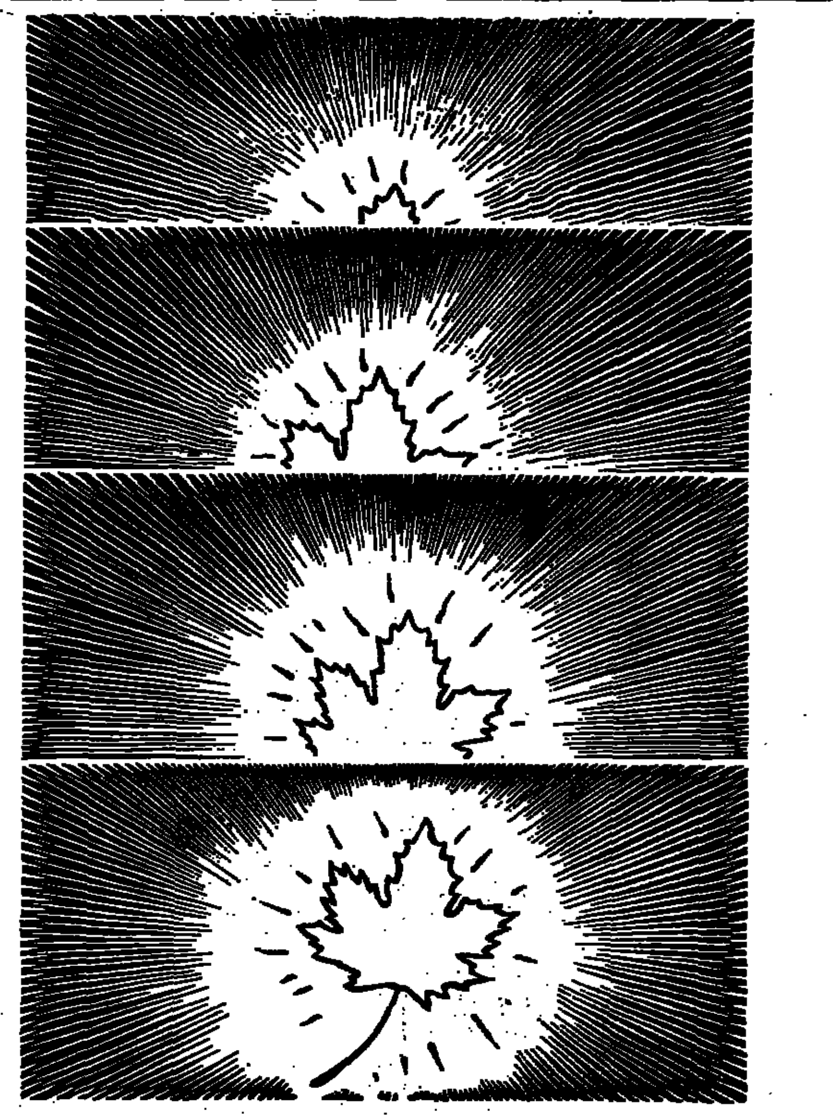
Charities were last night predicting a drive to increase giving from the public to make up for the amounts to be lost through reductions in relief on covenanted donations.

The Inland Revenue estimates that in the current financial year ...

form a relatively small proportion of the total amount given to charities each year, an estimated £2 billion. But for organizations whose budgets are finely balanced and whose resources are stretched, the effects can be quite marked.

reduction in tax will cost it £400,000. Sixty per cent of the trust's membership subscriptions come from covenants.

The Charities Aid Foundation acts as a clearing house



FT LAW REPORTS

Demurrage exceptions clause must be clear

MARC RICH & CO LTD v TOURLOTI COMPANIA NAVIERA SA
Court of Appeal
(Lord Justice Slade, Lord Justice Staughton and Sir Roualeyn Cumming-Bruce):
March 18 1988

AN EXCEPTIONS clause in a charterparty exempting charterers from liability for demurrage in specified circumstances including "unavoidable hindrances" does not operate in respect of delay caused by congestion which began during laytime in the absence of clear wording to that effect.

The Court of Appeal so held when allowing an appeal by Tourloti Compania Naviera SA, owners of Kalliopi A, from Mr Justice Evans's variation of demurrage liability awarded by arbitrators against charterers, Marc Rich & Co.

LORD JUSTICE STAUGHTON said that Kalliopi A was chartered to Marc Rich for the carriage of a cargo of shredded and baled scrap from Rotterdam to Bombay.

The charterparty provided that demurrage was to be paid at $4,500 per day, laytime to count from the first working day after due notice was given and accepted. Notice of readiness was to be given WIBON [whether in berth or not].

Clause 36 provided "The act of God . . . enemies, fire, floods . . . and every other unavoidable hindranees which may prevent . . . discharging . . . always mutually excepted." Clause 37 provided that neither charterers nor owners should be responsible for the consequences of strikes.

The vessel arrived at Bombay pilot station on June 30 1983. Notice of readiness was given. Laytime expired on August 20 1983.

By August 20 none of the cargo had been discharged. The vessel was still at anchorage waiting for a berth, because all berths were occupied.

On September 6 she was brought to the inner anchorage, and on September 8 discharge into barges in stream commenced.

From October 20 to November 3 there was a strike which prevented stevedores working. The arbitrators held that despite clause 37 the charterers were liable for the delay in the strike period, because the vessel was already on demurrage. There had been no appeal from that aspect of the award.

Discharge was completed on November 26 1983. Arbitrators concluded the vessel was on demurrage for 98 days, 2 hours and two minutes. At $4,500 per day that resulted in a liability of $441,381.

On appeal Mr Justice Evans held the sum was very much less. He varied the award so that the amount due for demurrage was $175,539. The owners now appealed against that order.

Two of the findings of the award were that congestion was not unusual at Bombay at that time, and that it was foreseen.

On the present appeal it was said that congestion at Bombay was an "unavoidable hindrance" which prevented discharging for a time, and was therefore "excepted" under clause 36.

The charterers did not contend that the exception operated while laytime was running. They agreed laytime expired on August 20. What they did say was that thereafter they were excused liability for demurrage in respect of periods when the vessel was still delayed by congestion. – from August 21 to September 5, September 6 to 23, and September 24 to 27.

To the arbitrators the charterers' argument appeared to be that neither laytime nor demurrage would run while one of the perils in clause 36 operated. That was not the argument put before Mr Justice Evans or before the present court.

Mr Justice Evans's reasoning (*[1987] 1 FTLR 399,403]*) was that for clause 36 to exclude liability for demurrage, it "must be clearly intended to do so".

He said "the words are clear: 'unavoidable hindrance . . . always mutually excepted' must be commercial shorthand for 'neither party to be liable for the consequences of', and the charterers' liability . . . is measured in terms of demurrage."

"So," he said, "the clause purports to exempt charterers from their liability for what will be put forward as a demurrage claim."

Mr Mildon for the owners argued that clause 36 did not clearly provide that the charterers were to be exempt from liability in respect of periods when the vessel was already on demurrage and they were already in breach of contract.

It was established law that "when once a vessel is on demurrage no exception will operate to prevent demurrage continuing to be payable unless the exceptions clause is clearly worded so as as to have that effect" (see *Scrutton on Charterparties 19th ed p 809*, approved by the House of Lords in *The Spalmatori [1964] AC 868* and *The Dias [1978] 1 WLR 261*).

That was a rule of construction imposed on the parties by law. It was sometimes expressed, not wholly accurately, in the shibboleth once on demurrage, always on demurrage.

It was described by Lord Diplock in *The Dias (p 264)* as an example of the general principle that when a party was in breach of contract an ambiguous clause was no protection.

In *The Sarturnia [1981] 2 Lloyd's Rep 48, 46* Sir John Donaldson MR said the rule "has a solid basis in common sense, namely that if . . . the ship had been discharged in the laytime she would not have been in the port . . . when the strike occurred."

In *The Spalmatori (p 896)* Lord Hodson said the charterers had "reached a position of vulnerability to delay . . . which they would never have reached if they had complied with the terms of their contract."

That reasoning was not applicable to the present case. The vessel was already affected by congestion during laytime; the charterers' breach in failing to discharge within the laydays did not of itself cause her to be exposed to any subsequent peril.

However, that was not a ground for holding the general rule to be inapplicable. Rather it was a consequence of the bizarre contract which the parties made – if it was the effect of the the contract – that there should be no relevant exceptions to the running of laytime, but there should be exceptions which arguably might apply when the vessel was on demurrage.

There was no doubt that the clause could have some effect quite apart from any liability for demurrage. It would provide exemption for the charterers if there were a total ban on the export of scrap at loading port, or on its import at discharging port; or if all available scrap were destroyed by enemies, fire or flood.

No doubt the clause could also provide exemption for the owners in certain circumstances.

The question was whether "mutually excepted" showed clearly that the charterers were not to be liable for demurrage if an unavoidable hindrance prevented discharge after laytime had expired.

The court's conclusion on that point could be expressed in the same words as those used by Lord Edmund-Davies in *The Dias* - "no exceptions clause will prevent demurrage from continuing to be payable unless such is clearly the effect of its language . . . no such clarity has emerged."

The appeal was allowed.

Lord Justice Slade and Sir Roualeyn Cumming-Bruce agreed.

For the owners: David Mildon (Holman Fenwick & Willan)
For the charterers: Michael Collins (Shaw & Croft)

Rachel Davies
Barrister

Company Notices

CARPS LIMITED

US$100,000,000 SECURED FLOATING RATE NOTES DUE 1992

MEETING OF NOTEHOLDERS

NOTICE IS OF MEETING

RESOLUTION

Dated: 25 March 1988

Registered Office: Cayman International Trust Building, P.O. Box 309, Grand Cayman, Cayman Islands, British West Indies

CARPS LIMITED

NOTES

Bankers Trust Company, Dashwood House, 69 Old Broad Street, London EC2P 2EE

Banque Indosuez Luxembourg, 39 Allee Scheffer, L-2520 Luxembourg

Swiss Bank Corporation, 1 Aeschenvorstadt, CH-4002 Basel, Switzerland

CARPS II LIMITED

US$000,000,000 SECURED FLOATING RATE NOTES DUE 1992

NOTICE OF MEETING OF NOTEHOLDERS

RESOLUTION

Dated: 25 March 1988

CARPS II Limited

NOTES

NOTICE TO WARRANTHOLDERS OF NANKAI ELECTRIC RAILWAY CO., LTD.

U.S.Dlrs. 100,000,000 5 per cent. Guaranteed Bonds 1993 with Warrants to subscribe for shares of Common Stock of Nankai Electric Railway Co., Ltd.

Tokyo Trust S.A.
NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Nineteenth Annual Meting of the Company will be held at Balzi Rossi, Ponte San Ludovico, Italy, on 15th April, 1988 at 12.00 noon for the following purposes:-

1. To receive the report the Directors the Audited Accounts for the year ended 31st December 1987, and to declare a dividend.
2. To confirm the appointment of Mr John Renyi, Mr Hubert Grosperrin, Mr Lucien Fischer, Mr Jacques Seydoux de Clausonne and Mr Michael Charlton as Directors of the Company, and fix their remuneration.
3. To authorise the Directors to fix the remuneration of the auditors.
4. To transact any other ordinary business of the Company.

By order of the Board,
Mrs Romane Walker
Secretary

Notes:-
1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.
2. The quorum for the meeting is two shareholders present in person or by proxy.
3. Each of the resolutions set out above may be passed by a simple majority of the votes cast thereon at the meeting.

Copies of the Report and Accounts for 1987 are available from:

19, AVENUE D'OSTENDE
MONTE CARLO
MONACO

TOKYO TRUST S.A.
FINAL DIVIDEND

A Final Dividend of U.S.$022 per share will be payable on 15th April, 1988 to holders on the Register on 23rd March and to holders of the Bearer Shares against presentation of coupon No. 30 at the Paying Agents:

Singer & Friedlander Ltd
21 New Street, London EC2M 4HR
or
Kredietbank S.A. Luxembourgeoise
43 Boulevard Royal, Luxembourg

By order of the Board
TOKYO TRUST S.A.

FIDELITY AMERICAN ASSETS N.V.

Registered Office : Schottegatweg-Oost 130

Curacao, Netherlands Antilles

DIVIDEND NOTICE

At the Annual General Meeting held on March 15, 1988 it was decided to pay a dividend of US$ 1.25 per share on or after April 5, 1988 to shareholders of record on March 16, 1988 and to holders of bearer shares upon presentation of coupon No 12

Paying Agent : FIDELITY INTERNATIONAL (C.I.) LIMITED
9, Bond Street
St Helier, Jersey, Channel Island

KREDIETBANK S.A. Luxembourgeoise
43, boulevard Royal
L - 2955 LUXEMBOURG

MINORCO

NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER PAYMENT OF COUPON NO.1

With reference to the notice of declaration of interim dividend advertised in the press on March 18, 1988 the following information is published for the guidance of holders of share warrants to bearer.

The dividend of 10 cents was declared in United States currency. The dividend on bearer shares will be paid on or after May 6, 1988, against surrender of Coupon No.1 detached from share warrants to bearer as follows:

(a) at the offices of the Corporation's Continental paying agents:-

Banque Generale du Luxembourg
14, rue Aldringen
Luxembourg City
Grand Duchy of Luxembourg

Credit du Nord,
6-8 Boulevard Haussmann,
75009 Paris

(b) at the London Securities Department of Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX. Unless persons depositing coupons at such office request payment in United States dollars (in which case they must comply with any applicable Exchange Control regulations), payment will be made in United Kingdom currency either:-

(i) in respect of coupons lodged on or prior to April 29, 1988, at the United Kingdom currency equivalent of the United States currency value of their dividend on April 12, 1988; or

(ii) in respect of coupons lodged on or after April 30, 1988, at the prevailing rate of exchange on the day the proceeds are remitted to the London Securities Department of Hill Samuel & Co. Limited.

Coupons must be left for at least four clear days for examination (eight days if payment in United States currency has been requested) and may be presented any weekday (Saturday excepted) between the hours of 10 a.m. and 3 p.m.

United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the London Securities Department of Hill Samuel & Co. Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms. Where such deduction is made, the net amount of the dividend, after deducting United Kingdom income tax at 25% will be 7.5 cents (United States) per share.

In the case of payments made in United Kingdom currency the sterling equivalent of the net dividend will be calculated in accordance with sub-paragraph (b) above.

By Order of the Board
D.E. Fisher Secretary

March 24, 1988

NOTICE TO HOLDERS OF NIPPON OIL COMPANY, LTD

US$ 50,000,000
3.1/4% Convertible Bonds due 1999
US$ 150,000,000
4% Bonds due 1991 with Warrants

In respect of the above two issues, Notice is hereby given as follows:

(a) The Board of Directors of the Company at its meeting held on 27th January, 1988, resolved to make a free distribution of shares of its common stock on 10th May, 1988 to the shareholders of record duly registered as of 31st March, 1988 at the ratio of 0.1 share for each share held by such shareholders.

(b) Accordingly, the Conversion Price and the Subscription Price of the above issues per share of common stock after giving effect to the aforesaid free distribution of shares pursuant to Condition 6(L) of the Terms and Conditions of the Convertible Bonds and Clause 3(xii) of the Instrument of the Warrant Bonds will be adjusted as follows:

	Adjusted Price YEN	Current Price YEN
3.1/4% Convertible Bonds Due 1999	910.80	1,001.90
4% Bonds Due 1991 with Warrants	829.10	912.00

The adjusted prices will take effect from 1st April, 1988

NIPPON OIL COMPANY, Ltd
By: The Mitsui Bank, Limited
as principal paying agent
dated 25th March, 1988

Public Notices

MONOPOLIES AND MERGERS COMMISSION

INVESTIGATION OF WHETHER THE BRITISH COAL CORPORATION COULD IMPROVE ITS PERFORMANCE IN RELATION TO THE EFFICIENCY AND COSTS OF ITS CAPITAL INVESTMENT ACTIVITIES.

On 14 March 1988 the Secretary of State for Trade and Industry referred to the Monopolies and Mergers Commission for investigation and report the question of whether the British Coal Corporation could improve its performance with regard to the selection and appraisal of investment projects, the efficient use of manpower in achieving the required rate of return on investment projects, the contribution of the Corporation's investment programme to its business strategy and objectives, and related questions.

A copy of the full terms of reference can be obtained from, and anyone wishing to submit evidence may write to:

The Secretary
Monopolies and Mergers Commission
New Court
48 Carey Street
London WC2A 2JT.

Appointments

INVESTMENT BANKING

Leading international investment group requires an individual with 8 -10 years' financial advisory/portfolio management experience to be responsible for the development and marketing of investment banking products to existing and potential clients in Spain, Portugal, Greece and Turkey. Candidates, aged 30 - 35, should be educated to masters degree standard (business), fluent in at least two European languages (in addition to English), preferably to include Spanish, and able to travel. Salary commensurate with experience. Please write in strictest confidence, enclosing full cv, to

Box A0871
Financial Times, 10 Cannon Street,
London, EC4P 4BY.

BANQUE NATIONALE DE PARIS

USD 500,000,000 -UNDATED SUBORDINATED F.R.N.

Notice is hereby given that the interest rate for the period 28 March, 1988 to 28 September, 1988 has been fixed at 7.1375 per cent. The coupon amount due for this period is USD 364.81 per USD 10,000 denomination and USD 3,648.06 per USD 100,000 denomination and is payable on the interest payment date 28 September, 1988.

The Fiscal Agent
Banque Nationale De Paris
(Luxembourg) S.A

Art Galleries

Medici Galleries 7 GRAFTON ST. BOND ST., W1.01-629 5675 Exhibition of wildlife paintings by KENNETH LILLY.25 March to 14 April.Mon-Fri 9-5.30.

OMELL GALLERIES - an exhibition of Paintings by the Danish artist Peder Mork MONSTED (1859-1941) at 42a Duke Street, St. James's, London SW1Y 6DD tel: 01-930-7744; Mon-Fri 9.30 - 5 Sat 10 - 1 pm

Arts Week

F	S	Su	M	Tu	W	Th
25	26	27	28	29	30	31

Music

PARIS

Rosalind Plowright, soprano with Geoffrey Parsons, piano: Lieder by Schubert and Strauss, Verdi and Rachmaninov's melodies (Mon). Théâtre de l'Athenée (47 42 67 27).

Orchestre Nationale de France conducted by Christof Perick, Mitsuko Uchida, piano: Schubert, Mozart, Brahms (Tue) Salle Pleyel (45 63 88 73).

Pergolesi's Stabat Mater and Vivaldi's *Miserere by the Ensemble* Orchestral Harmonia Nova conducted by Didier Bouture (Tue). Saint-Roche Church (42 61 93 26).

Orchestre de Paris conducted by Daniel Barenboim, Johanna Meier and Julia Varady, sopranos, Siegmund Nimsgern, bass: Valkyrie, 3rd act (Wed, Thur). Salle Pleyel (45 63 88 73).

Luciano Pavarotti, tenor (Thur). Théâtre des Champs Elysées (47 20 36 37).

Janáček Concert with Josef Palenicek, piano and nine Paris opera orchestra's soloists (Thur). Opéra Comique-Salle Favart. (47 42 53 71).

WEST GERMANY

Frankfurt, Alte Oper. Young German Philharmonic Orchestra, conducted by Michael Gielen. Reger, Berg and Beethoven (Tue).

Munich, Herkulessaal der Residenz. Claudio Arrau, piano. Beethoven, Liszt and Schumann (Mon).

Philharmonie im Gasteig, Munich Philharmonic Orchestra. conducted by Carlo Maria Giulini offers Bach's Mass in B minor with Arleen Auger, Brigitte Fassbaender, Francisco Araiza and Andeas Schmidt. (Thur).

ITALY

Rome, Auditorium in Via della Conciliazione. George Pretre conducting Haydn and Brahms. (Mon and Tue). (65 41 044).

Rome: Teatro Olimpico: Tubinger Kantatenchor. Bach (Wed). (39 33 04).

Rome, Oratorio de Gonfalone (Via del Gonfalone 32/A). European Community Chamber Orchestra, with cellist, Giovanni Sollima, playing Handel, Tartini, Porpora, Mozart and Britten (Thur). (68 75 952).

Florence, Teatro Comunale. Zubin Mehta conducting Mozart's Requiem with soprano Mart Taddei, mezzo-soprano, Benedetta Pecchioli, tenor Gosta Winberg and bass Matthias Holle (Thur). (27 79 236).

Parma, Teatro Regio. Tenor Chris Merrit accompanied by Michael Recchiuti (Wed). (79 56 78).

NETHERLANDS

Bach's St Matthew Passion performed by the choir and baroque orchestra of the Netherlands Bach Society conducted by Jos van Veldhoven. Tue in Utrecht, Vredenburg (31 45 44). Thur in Naarden, Grote Kerk (030 31 93 53).

Amsterdam, Concertgebouw. The Netherlands Philharmonic with singers and chorus conducted by Meindert Boekel: Bach's St Matthew Passion (Mon, Tue). Recital Hall: Eliane Rodrigues, piano, Christian Bor, violin, Godfried Hoogeveen, cello: Schubert (Tue). (71 83 45).

Utrecht, Vredenburg. The Utrecht Oratorio Society with singers and instrumental ensemble conducted by Johan van de Camp: Bach St Matthew Passion (Wed, Thur). Recital Hall: Netherlands String Sextet: Brahms (Wed). (31 45 44).

Rotterdam, Doelen. Massed choral voices and soloists led by the Toonkunst Choir, with the Rotterdam Philharmonic under Jan Eelkema: Bach's St Matthew Passion. (Thur). Recital Hall: The Franz Liszt Chamber Orchestra, with Emmy Verhey, violin: Mozart, Rossini, Haydn, Mendelssohn (Mon). (41 32 490).

Groningen, Oosterpoort. The Netherlands String Sextet: Brahms (Tue). (13 10 44).

Nijmegen, Vereeniging. Bach's St John Passion performed by the Nijmegen Bach Choir and soloists with Gelders Orchestra under Jac van Steen (Wed(. (22 11 00).

NEW YORK

Clarion Concerts Orchestra. Handel, Biber, Tartini Galuppi, Zelenka (Tue). Merkin Hall (36 28 719).

Tokyo String Quartet. All-Beethoven programme (Wed). Kaufmann Hall (99 51 100).

New York Philharmonic. James Conlon conducting. Young-Uck Kim violin. Webern, Berg, Dvorak (Thur). Avery Fisher Hall (87 42 424).

New Amsterdam Singers. Dutay, Debussy, Bernstein, Joplin (Wed 12.30, Free). Juilliard Concerts at the IBM Garden Plaza. 56th & Madison.

Juilliard String Quartet. Mozart, *Franck, Schuller (Tue). Juilliard* Theatre, Lincoln Center (87 47 515).

National Chorale. Martin Josman music director. All-Bach programme (Wed). Avery Fisher Hall (87 42 424).

WASHINGTON

National Symphony. Kurt Sanderling conducting. Haydn, Schubert (Tue): Christopher Hogwood conducting. Handel, Schoenberg, R.Strauss (Thur). Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony. Claudio Abbado conducting. All-Tchaikovsky programme (Mon): Claudio Abbado conducting. Maurizio Pollini piano. Tchaikovsky, Rihm, Beethoven (Thur). Orchestra Hall (435 8111).

Theatre

LONDON

The Best of Friends (Apollo). John Gielgud makes probably his last appearance on the London stage as Sir Sydney Cockerell, a museum curator and friend of Shaw (Ray McAnally) and a remarkable abbess (Rosemary Harris). (437 2663, CC 434 3698)

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair.

Shirley Valentine (Vaudeville). Pauline Collins in fine and funny monodrama by Willy Russell of liberation for a Liverpool housewife on Corfu. Shades of Ibsen's Nora and Beckett's Winnie, with jokes. (836 9987, CC 379 4444)

The Phantom of the Opera (Her Majesty's). Spectacular, emotionally nourishing new musical by Andrew Lloyd Webber. (839 2244, CC 379 6131/240 7200).

Follies (Shaftesbury). Stunning revival, directed by Mike Ockrent and designed by Maria Bjornson, of Sondheim's 1971 musical in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre. (379 5399).

Serious Money (Wyndham's). Transfer from Royal Court of Caryl Churchill's slick City comedy for champagne-swilling yuppies: how the Big Bang led to class tumult and barrow-boy dealings on the Stock Exchange. (836 3028, CC 379 6565).

NEW YORK

Fences (46th Street). August Wilson hit *a home-run, this year's Pulitzer* Prize, with the powerful tale of an old baseball player raising a family in an industrial city in the 1950s, trying to improve their lot but dogged by his own failings. (221 1211).

Cats (Winter Garden). Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry, set to trendy music, is visually startling and choreographically feline. (239 6262).

42nd Street (Majestic). An immodest celebration of the heyday of Broadway in the 1930s incorporates gems from the original film, like Shuffle Off To Buffalo, with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert). The longest running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Phantom of the Opera. The Majestic Theatre, stuffed with the Maria Bjornson gilded sets, rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London. (239 6200).

Les Miserables (Broadway). Led by Colm Wilkinson repeating his West End role as Jean Valjean, the magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama, if not strict adherence to its original source. (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its American incarnation. (586 6510).

CHICAGO

Landscape of the Body (Goodman). *John Guare's 1977 surrealistic view* of an American family, combining mystery, murder and lyrical passages features Amy Elizabeth Geis, Ray Bradford and Gary Cole in Robert Falls' production. Ends April 2. (443 3800).

WASHINGTON

The Search for Signs of Intelligent Life in the Universe (Eisenhower). Lily Tomlin repeats her Tony-award winning solo performance of the crazy people who *inhabit* her funny and strange imagination. One major segment explores the women's movement over the past decade. Ends June 26. (254 3670)

NETHERLANDS

Amsterdam (Bellevue Theatre). The English-Speaking Theatre Company in Emerald City by David Williamson, a fast-moving commentary on *life in Sydney's media jungle to celebrate* the Australian bicentenary. (Fri, Sat). (24 72 48).

Opera and Ballet

NEW YORK

Metropolitan Opera (Lincoln Center Opera House). Lulu joins the repertory this week, conducted by James Levine with Catherine Malfitano, Tatiana Troyanos and Lenus Carlson. Another newcomer is Werther conducted by Jean Fournet with Frederica von Stade and Alfredo Kraus. James Levine conducts Cosi Fan Tutte with Kiri Te Kanawa, Susan Quittmeyer, Hei-Kyung Hong and David Rendall in Graziella Sciutti's staging. James Conlon conducts August Everding's production of Khovanschchina with Elizabeth Knighton, Stefania Toczyska and Timothy Noble. (36 26 000).

WASHINGTON

Nixon in China (Kennedy Center Opera House). Peter Sellars' contemporary opera spends a week where the idea on which it is based was germinated. Ends April 3. (254 3770)

PARIS

Z Mrtveho Domu (Salle Favart, Opera Comique). Janáček depicts Dostoyevsky's obsessive memories from the prisoners' pathetic universe in Siberia. It is conducted by Sir Charles Mackerras/John Burdekin in a production by the film-maker Volker Schloendorff. (47 42 53 712)

Anjouta (TMP-Chatelêt) After a Tchekov novella, Vladimir Vassiliev choreography danced by Vladimir Vassiliev, Ekatarina Maximova and dancers from Moscow's Bolshoi. (42 33 44 44).

Georgia National Ballet (Palais des Congrés) A powerful folklore expression of virile seduction, art of war, of pastoral and courtly themes. (46 40 22 22).

LONDON

Royal Opera (Covent Garden). New principals take over in the revival of Un Ballo in Maschera conducted by Richard Armstrong – Anna Tomowa-Sintow (Amelia), Piero Cappuc*cilli (Renato), and Linda Kitchen* (Oscar). Further performances of Tosca, with Grace Bumbry, Giuseppe Giacomini, and Kostas Paskalis. (240 1066)

English National Opera (Coliseum). Nicholas Hytner's new production of The Magic Flute is conducted by Ivan Fischer, and has Thomas Randle, Helen Field, John Rawnsley and Gwynne Howell in the principal roles. Also in repertory: Ian Judge's production of Cavalleria Rusticana: Pagliacci, lively, inventive, over-detailed, returning with a cast that includes Jane Eaglen, Arthur Davies, Angela Feeney, Alan Woodrow, and Jacek Strauch; and the first ENO production of Britten's Billy Budd, by and large an outstanding success for the whole company, with a superb cast led by Thomas Allen in the title role. Philip Langridge (Vere) and Richard Van Allan (Claggart), and David Atherton, the excellent conductor. (836 3161)

Royal Opera House, Covent Garden. Royal Ballet shows a triple bill by Balanchine and Bintley.

NETHERLANDS

Amsterdam, Muziektheater. The Netherlands Opera production of Katya Kabanova by Janáček directed by Philippe Sireuil and designed by Jean-Claude de Bemels. Kenneth Montgomery conducting the Netherlands Philharmonic, with Ellen Shade in the title role, Felicity Palmer, Jerome Pruett and Jerold Norman (Wed). The National Ballet with the premiere of a production of Swan Lake by Rudi van Dantzig and Toer van Schayk, based on the Petipa/Ivanov choreography (Thur). (255 455).

Nijmegen, Schouwburg. Introdans with a new ballet by Ed Wubbe, Longing; also Quartet II and Another Journey (Tue). (22 11 00).

WEST GERMANY

Berlin, Deutsche Oper. Lucia di Lammermoor is steered to triumph by Lucia Aliberti, brilliant in the title role. Zar und Zimmermann is a well done repertoire performance. Don Giovanni features Pilar Lorengar, Carole Malone, and Ferruccio Furlanetto. Das Rheingold in Gotz Friedrich's production brings Ute Walther, Lucy Peacock, Martti Salminen and Donald McIntyre together. A ballet premier of Traum der Sehnsucht, choreographed by Tom Schilling closes the week.

Hamburg, Staatsoper. The Magic Flute has fine interpretations by Hellen Kwon, Yoko Kawahara and Harald Stamm. Turandot, sung in Italian, has a strong cast with Galina Savova and Giorgio Lamberti. Tristan und Isolde in the controversial Ruth Berghaus production stars Gabriele Schnaut, Hanna Schwarz and William Johns. Le Nozze die Figaro is a joint project between Hamburg and Saltzburg Mozarteum. Parsifal takes the leads Ingrid Bjoner, Franz Grundheber and Hans Sotin.

Frankfurt, Opera. Don Giovanni has a particularly strong cast with Helena Doese, Inga Nielsen, William Shimell and Stafford *Dean*. Der Wildschutz returns with Elsie Maurer, William Workman, Jertald van der *Schaaf and Josephine Engelskamp*.

Frankfurt, Alte Oper. 'Giovanno D'Arco' in a concert version, will have its premier this week with Margaret Price in the title role, Giorgio Merighi, Juan Pons, Valentin Jar and Jurj Zinovenko singing other parts. Conductor is Richard Bradshaw.

Cologne, Opera. Manon Lescaut produced by Gilbert Deflo with sets by Carlo Tomassi will have its premiere this week. It has Sir John Pritchard as conductor and a cast including Barbara Daniels, Guiliano Cianella. Alan Titus and Ulrich Hielscher. Die Italienerin in Algier has Daria Brooks, Andrea Andonian and John Del Carlo.

Stuttgart, Wurttembergisches Staatstheater. Tosca stars Eva Marton, Eugenia Moldeveanu and Ingvar Wixell. Further offered this week, a guest appearance of the Tokyo Ballet with choreographer Maurice Bejarts and Dornroschen, choreographed by Marcia Hydee.

ITALY

Milan, Teatro alla Scala. Michael Hampe's production of Flying Dutchman, sung in German, and conducted by Riccardo Muti (alternating with Walter Weller). The cast includes James Morris (alternating with Alfred Muff), Robert Lloyd (alternating with Jaakko Ryhaenen, Reiner Goldberg (Walter Donati), Monica Tagliasacchi (Rosa Laghezza) and Robert Gambill. (80 91 26).

Milan, Teatro Lirico. An evening with Alvin Alley. Two works, Memoria with lead-dancer April Berry, and Tehillim (first performance) with Luciana Savigignano. (86 64 18).

Rome, Teatro dell'Opera. Simon Boccanegra directed by Renato Bruson (who also sings the title role), with sets and costumes designed by his wife, Tina Tegano, for the San Carlo in Naples two years ago. Also in the cast are Ileana Cotrubas, Nicola Ghiuselev, Nicola Martinucci. Conducted by Gustav Kuhn. (46 17 55).

Genoa, Teatro Margherita. Carla Fracci in Giselle, with choreography by Ricardo Nunez (based on that of Marius Petipa). conducted by Alberto Venturi. (58 93 29).

Trieste, Teatro Verdi. Franco Pero's production of La Boheme, conducted by Tiziano Severini, with Christina Rubin, Franco Farina, Elena Zilio and Franco Giovine. (63 19 48).

Turin, Claude d'Anna's production of Carmen, sung in French, and designed by Jacques Saulnier. Serge Baudo conducts a cast which includes Lucia Valentina Terrani as Carmen, Mietta Sighele (Michaela), Veriano Lucchetti (Don Jose), and Giorgio Zancanaro (Escamillo). (54 80 00).

Parma, Teatro Regio. Amedeo Amodio's Aterballetto in a new production – Ai Limiti della Notte with the splendid Elisabetta Terabust, conducted by David Garforth. The scenery is designed by Piero Dorazio. *(79 56 78).*

Exhibitions

WEST GERMANY

Berlin, Martin-Gropius Bau. Joseph Beuys (1921-1986). This is the first complete show of Beuys works ever presented in Berlin. There are about 150 room-sculptures and objects and about 456 paintings from the end of the 1940s to the end of the 1960s based on a cycle The Secret Block for a Secret Person in Ireland. The sculptures are an echo of real life and the artist's memories. Beuys was a political radical, who attracted plenty of hostility. This exhibition has been criticised for not showing this aspect. Stresemannstrasse 110: Ends May 1.

Bottrop, Joseph Albers Museum, Im Stadtgarten 20. To commemorate the 100th anniversary of Josef Albers' birth, 100 paintings of the artist, born in Bottrop (1888-1976), cover the full range of his work. (Ends May 5).

Bad Homburg, Sinclair-Haus Lowengasse/Dorotheenstra. From Marees to Picasso 92 great works of European painting, on loan from Wuppertal von der Haydt Museum and 9 paintings from Marees. (Ends April 24).

AMSTERDAM

Stedelijk Museum. An explosion of colour and exuberance fills ten of the museum galleries in the Frank Stella retrospective of paintings and reliefs from 1970-1987. Ends April 10.

Tropenmuseum. The arts and crafts of Indonesia illustrated with more than 500 objects in bronze, bamboo, textiles and precious metals spanning 2000 years of cultural history. (Ends August 21).

Fodor Museum. The influence of Realism and Impressionism on the 19th-century Amsterdam school of painting. (Ends April 17).

Rotterdam, Boymans-van Beuningen Museum. The textiles of Norlene and the glass artistry of Lino Tagliapietra inspired "By the Light of the Lagoon" and the long tradition of Venetian craftsmanship. (Ends May 23).

The Hague, Gemeentemuseum. A lavish exhibition tracing Mondrian's development from figuration to abstraction, together with seventy paintings and drawings from the late New York period on loan from the Sidney Janis collection. (Ends May 29).

Overholland Museum. Frank Stella drawings 1956-1970. Museumplein 4. Ends April 10.

PARIS

Grand Palais. Zurbaran. From New York, an exhibition of 72 paintings retraces the artistic development of one of the great masters of the Spanish Golden Age. Influenced at first by Caravaggio's chiaroscuro technique, Francisco Zurbaran progressively abandons the strongly-contrasted rich colours for a softer palette with near monochromes. Reversing the perspective, using geometrical composition settings and shedding everything superfluous, the mystical painter of the counter-reformation seems to be a precursor of cubism. (42560924). Ends April 11.

Musée d'Orsay. Van Gogh in Paris. To mark the centenary of Van Gogh's two-year stay in Paris, a period which proved a turning point in his *artistic development, the Musée* d'Orsay has assembled more than 50 of his paintings and a dozen of his drawings from national and private collections. By hanging landscapes and still lives by Monet, Anquetin, Renoir, Toulouse-Lautrec and Signac next to Van Gogh's work, the exhibition brings out their influence on the transformation of the Dutch artist's traditionally sombre colours into a soft impressionist palette underlined by contrasts of blues and oranges, reds and greens. Yet in spite of the revelation of his affinities with impressionism and post-impressionism structured by a strong dose of japanism, Van Gogh used both the techniques in his search for his own, profoundly personal art expressed most dramatically in the series of his self-portraits. (45 49 48 14). Closed Mon. Ends May 15.

Centre Georges Pompidou. Le Dernier Picasso 1953-1973. By placing the last 20 years of Picasso's work in the context of contemporary art, the 95 paintings, 34 drawings and 70 engravings exhibited permit a fresh approach to the controversy caused by contradictory judgments on the ageing painter's feverish creativity. Absorbed at first by paraphrasing Delacroix, Velasquez, Manet and David, his fantasies and obsessions turned to the painter and his model and finally to the basic themes of the archetypical woman, the couple, the man. (42 77 12 33), Closed Tue, Ends May 16.

Petit Palais. Winterhalter and European Courts from 1830-1870. A retrospective of the painter of graceful feminine beauty around the thrones of France, England and Belgium. (42 65 12 73). Closed Mon, Ends May 7.

Grand Palais. Degas. An important retrospective of 275 works covers 60 years of the artist's career from his student beginnings in Italy to the rich maturity of his last years. His favourite themes of ballet dancers – there are the two versions of La Classe de Danse – and of jockeys and racecourses, of washerwomen, milliners and bathers, show the diversity of his inspiration echoed by the variety of his modes of expression. Oils and pastels, drawings and engravings, photographs and sculpture complete the vision of daring and invention of the painter who helped to usher in modernity. Grand Palais (42 56 09 24). Ends May 16, Closed Tue.

LONDON

Tate Gallery. Douglas Cooper – The Masters of Cubism. A small but choice selection of 81 works on paper from Cooper's collection of

Continued on Page 23

Cinema/Nigel Andrews

Opera buffa goings on in Brooklyn

Moonstruck directed by Norman Jewison
The Princess Bride directed by Rob Reiner
Hollywood Shuffle directed by Robert Townsend
Batteries Not Included directed by Matthew Robbins
The Fox And The Hound

Cher and Nicolas Cage in "Moonstruck"

Where would we be without national stereotypes? Thanks to Hollywood movies everyone now knows, even if he has never set foot in Italy, that Italians spend all their time doing the following four things: eating spaghetti, listening to Puccini and Dean Martin, falling in love and conducting family feuds.

All these activities are featured in *Moonstruck*. But since the film is a comedy, and as written by John Patrick Shanley a deliciously blithe and moonstruck one, the off-the-peg Italianisms seem less clumsy and prejudicial than in, say, your average brooding Mafia opera.

It all happens in Brooklyn. Under a giant moon and to the strains of – yes, Puccini and Dean Martin – lonely 35-ish widow Loretta (Cher) accepts the hand of dumpy bachelor Johnny (Danny Aiello). But before the nuptials can happen, Mama-dominated Johnny charges off to his aged parent's deathbed in Sicily and our heroine promptly falls in love with Johnny's estranged brother Ronny (Nicolas Cage): number two son in a family that clearly made its fortune compiling rhyming dictionaries.

Soon the passion-awakened widow and the one-handed baker – he lost the other in an accident he has never forgiven his brother for – are tossing between the sheets. And the one-night indiscretion is compounded by a visit to the opera (*La Bohème*, what else?) and by the kind of redblooded quarrels that befall only those incurably in love.

Director Norman Jewison, with no previous track record in ethnic comedy unless you count the film of *Jesus Christ Superstar*, conjures inspired performances from Cher and Cage and from the heroine's whole filmic family. Dad Vincent Gardenia is a croaking human walnut whose face seems to fissure completely whenever he smiles or frowns. Mum Olympia Dukakis casts a lofty, weary eye over her spouse's adultery (with a bosomy redhead) and her daughter's whirlwind engagement and infidelity. And Grandpa (Feodor Chaliapin) has seen it all before and looks as if he has no wish to see very much of it again. He silently walks his wolf-hounds each night and teaches them to bay at the moon.

If the supporting cast is good, Cher and Cage are revelations. The numbed and nerdic actor who in *Birdy* and *Peggy Sue Got Married* seemed like Hollywood's answer to Cro-Magnon man, without the charm, here explodes with goofy comic talent. And against his slo-mo physical dismay and foghorn-voiced passions Cher pits a fierce and florid mezzo authority. Even the actress's pursed beauty of feature, which in films like *The Witches Of Eastwick* and *Mask* looked as if had been animation-proofed by a dozen face-lifts, here adds a *misterioso* quality to the vocal and gestural fireworks.

There are sentimental fatuities in the movie. There is one shot too many of that damned romantic moon. And composer Dick Hyman slops a *ragu* of sonic schmaltz over the film whenever he thinks it needs it. (It never does.) But for the most part this is a wonderful *opera buffa* for the cinema: a tale of lovable idiots, full of sound and fury, signifying complete confidence in its conventions and even in its occasional rampant cliché.

★

The Princess Bride makes a show of comic confidence. But underneath one senses something more like the courage of the desperate. Framed by scenes of a white-haired Peter Falk reading to his obstreperous grandson ("Is this a kissing book?" is the boy's first warning inquiry), William Goldman's spoof-chivalric screenplay ushers us into fairy-tale land. Two star-crossed lovers, handsome farmboy Cary Elwes and beautiful Princess Robin Wright, fight the good fight against a host of dangers. These include an evil Prince (Chris Sarandon), a toad-like kidnapper (Wallace Shawn), a raving Spanish swordsman (Mandy Patinkin), a giant with a funny accent (Andre the Giant), a six-fingered Count (Christopher Guest) and a pack of giant rats.

Oh yes, there are also the Cliffs of Insanity, the Fire Swamp and the Pit of Despair. If you are a star-crossed lover in these circumstances, it seems hardly worth getting up in the morning. Director Rob Reiner, of *Stand By Me*, and the incomparable rock parody *This Is Spinal Tap*, directs by staying cheerful and hoping for the best. He puts his tongue in his cheek and keeps it there throughout. But though there are moments of bullseye wit – I liked torturer Mel Smith evilly rasping out his first line and then clearing his throat to speak quite normally – the film's tongue-bulged cheek soon becomes tiresome to live with. An hour in, and it starts to look more like a patient in need of dental help: with laughing gas in this instance a top priority.

★

Laughing gas would also help in Robert Townsend's *Hollywood Shuffle*. This debut film, a comedy about white attitudes to blacks in the modern movie world, is one-man-band-ism run riot. When was a film last written, produced, directed and starred in by the same person? Not, I venture, since the golden age of egomania under Orson Welles.

To add to the presumption, Townsend himself is black: which means, as this film satirically points out, that in today's Hollywood he should be confined to one of two activities. Either he should be out imitating Eddie Murphy. Or he should be playing any one of the Z group of character roles – pimps, crooks, butlers – usually reserved for people of his chromatic persuasion.

I wish the film, since its liberal heart is in the right place, were funnier. But its plotless script crawls from skit to skit like an ill-trained commando, firing its gun at already well-peppered targets or mis-throwing promising comic grenades (like the TV movie programme with two blacks sprawled in a cinema doing a jive-talk answer to Barry Norman). Townsend himself is a dapper performer: long, rubber-limbed and gymnastic of face and voice. But to capitalise on his talent he looks as if he needs a different writer, producer and director. This is one solo effort that ends up with ego on its face.

★

The best thing about *Batteries Not Included* is the wry title. It will appeal to anyone who has ever bought an expensive toy for a child late on Christmas Eve and discovered to his exasperated disbelief that the thing will not be operational until the morning after Boxing Day.

The film itself, sadly, is not operational at all. With or without batteries. Directed and co-written by Matthew *(Dragonslayer)* Robbins for Steven Spielberg, it is a spluttery whimsy about a group of tenement-dwellers saved from eviction by two flying saucers. The darling little things come sailing into the mid-city brownstone one day, frighten away the property developer's heavy mob, touch the resident youngsters with True Love and the resident oldsters with True Grit, and restore the crumbling structure to its pristine glory.

Hume Cronyn, Jessica Tandy and others look on while all this happens. Their stares of pixillated wonder express either joy at the advent of the flying objects or incredulity at the film's pathetic Special Effects. Incredulity too at the ultra-yukky moment when the two saucers mate and produce a brood of wee little baby saucers. The surrounding human characters coo forbearingly. This particular filmgoer felt he was about to lose his breakfast.

★

Clearly, Easter is upon us, and grown-ups must grit their teeth. They can always take the tots to *The Fox And The Hound*: a reissued Disney animation feature in which an unusual friendship develops between two traditional enemies of the woodland. The good news: there are no flying saucers. The bad news: it is all a bit twee.

Or they can whisk them off to *Asterix In Britain*. Another feature cartoon, French-made but English-dubbed, I have not yet seen it but will review it especially for the children next week. If they behave themselves.

Frankenstein/Glasgow Citizens

Michael Coveney

Mary Shelley's novel, written when she was only 19, is one of the most astonishing books in our literature. This fact is imaginatively acknowledged in a striking new adaptation by Jonathan Pope for the Glasgow Citizens that strips off the congealed veneer of the horror film industry and reveals a richly attractive surface of scientific and philosophical adventurism.

The story starts and ends in the Arctic wastes with the blasted Victor Frankenstein breaking off his pursuit of the Creature to tell his story to another aspiring explorer, Robert Walton. Waves crash all around a woman in black (Beatrice Comins) who presides over a foetal homunculus in white. This is Mary Shelley herself, aghast at the story that came to her at Lord Byron's prompting in 1816. The birth of this monster is cruelly prophetic of her own dead babies and mournful isolation in later life.

The sound of waves mingles with the insistent synthesized score of systems music provided onstage by Adrian Johnston. The explorers in padded white suits are both ice-breakers and astronauts. The grizzled older Frankenstein (Peter Raffan) morosely tracks the vivid experimentalism of his younger self (Michael Brogan), thus releasing at a master stroke the implicitly reverberative doppelgänger theme in the book.

The theatre's back walls are painted white and Kathy Strachan's design proceeds from there to exploit ingeniously the boiler room characteristics of the bare stage. The space becomes both a snowswept tundra and a theatrical laboratory. The action becomes dance drama with a difference, and with a text.

The uniform of dark suits and short haircuts is at last pressed into genuine creative service. How admirable and inspired of the Citizens to have commissioned Mr Pope, who runs a cross-disciplinary collective called Shadow Syndicate. His main house debut is one of the most promising in our theatre for a very long time.

Electro-magnetic plates are lowered into a sunken bath and the Creature (also with a double in tow) climbs out. There is no attempt to technologise the mysteries of chemical galvanism or electrobiology. The Creature is palpably human, post-punk and shock haired, with only a jewelled chain threaded through nose and ear to signify deformity. His birth is wet and messy, like everyone else's, and the human instincts endowed on him are conveyed in a powerful mime of self-discovery, reflections in the water dissolving into tears of joy.

Most *Frankenstein* adaptations omit the Creature's intellectual evolution. Here, the observation of the cottagers is compressed into a lovely Oriental sequence of gestures and bells. The gist is clear, and the Creature then performs his one act of heroism, saving the girl in the brook. As in Coleridge's tale of the Ancient Mariner, a considerable influence on Mary Shelley, there is water everywhere. Murders follow as a consequence of not being granted a human mate.

"Memory brings madness with it" says Mary Shelley, and the poignancy of this event lies precisely in that observation. The transforming process of creation is another aspect of the Romantic imagination given telling expression in these sharp and well-organised charades.

This is a loyal and sensitive adaptation. But it is also much more. Without playing his hand too heavily, Mr Pope has gone beyond *Frankenstein* and dramatised a fascinating commentary upon the Promethean legend that so obsessed both the Shelleys, not to mention Byron himself.

In this respect, the show is a wonderful companion piece to Howard Brenton's *Bloody Poetry* which receives a long overdue revival next month at the Royal Court. That play is set at the very time of *Frankenstein's* conception during the "heightened mood" of that extraordinary wet summer at Geneva.

Both Brenton and Pope have treated the condition of exile in different ways. But this fine Citizens production will be most memorable for the innovative hitching of contemporary performance manners to the intellectual star of Romanticism. *Frankenstein* continues in the Gorbals until April 2.

Michael Brogan, James Duke and Sally Thompson

St Matthew Passion/Elizabeth Hall

Andrew Clements

John Eliot Gardiner's steady progress through the major Bach choral works on record and in concert culminated in the Elizabeth Hall on Wednesday with the *St Matthew Passion*. Passions are the staple of concert programmes at the present season, but it is unlikely that any of the other scheduled London performances will better this one for its combination of direct expressive force and well argued and executed sense of musical and historical style.

The essential features of Gardiner's approach have been established in his earlier accounts of the B minor Mass, the *Christmas Oratorio* and the St John Passion; for this yet more massive work he used a double chorus (the Monteverdi Choir) of 40 voices in total, a small children's choir (the London Oratory Junior Singers), and nine soloists. Even with the English Baroque Soloists' use of period instruments and their closest possible attention to performing practice Gardiners solution is, as he admitted in a written preface to this conceit, only a partial one, put perhaps as near as the late 20th century can get to reproducing the conditions of the early performances. This took place, after all in a concert, not a liturgical context, and the two parts of the Passion were not separated by an hour-long sermon, as they would have been in Bach's time, but by a gin and tonic.

It is the practicality and realism of Gardiner's "authentic" style that makes it peculiarly effective – he knows its limits as well as its benefits, and so avoids any hint of aesthetic primness. The magnificent set of soloists for this performance were able to combine scrupulous attention to style with enormous expressive range; Anthony Rolfe Johnson's Evangelist was the epitome of taste and unspectacular intensity, neither over-emphatic nor drily objective and always perfectly articulate, while Andreas Schmidt's fresh-toned, boyish Christus offered the most eloquent foil.

The sopranos Barbara Bonney and Ann Monoyios, and the tenor Howard Crook took their recitatives and arias with stylish directness. The alto roles were shared between Iris Vermillion and the counter tenor Michael Chance, whose account of "Erbarme dich," searingly direct, was perhaps the evening's most startling single event. Olaf Baer and the bass Cornelius Hauptmann similarly divided responsibilities, matching each other for the sustained purity of their tone and the measured weight they brought to every phrase.

The choral singing – unfussy in the chorales, urgent, biting and dramatic in its interjections – set the soloists in a sharp focussed context, while the playing of the orchestra, woodwind solos deftly executed, was its further complement. Gardiner's direction, always moving forward yet never superficial nor lightweight, limned the work with great skill; the recording being made in conjunction with this event will be awaited most eagerly.

Badura-Skoda/Wigmore Hall

David Murray

The Viennese pianist Paul Badura-Skoda is a rare visitor to London, which is our loss. Music-lovers probably remember best his early recordings of the Classical repertoire, which were models of smooth tact and sympathy. In more recent years he has been among the few pianists to cultivate period instruments, and with surprising results: far from declining into a domestic range of expression, he has exploited more dramatic possibilities than before. Smoothness is no longer an ideal;the new Badura-Skoda's playing is toughly articulate, sometimes whimsical, ready to go to dynamic extremes, laden with unabashed personal feeling.

In some complicated way, the discoveries he has been making with old instruments have transformed his approach to modern ones – as we heard from his Bösendorfer on Tuesday. No prettiness, hardly any "pianism:" but everything was saturated with character. Various listeners would react differently, perhaps even truculently; I found it fairly gripping.

He began with what is apparently established now as Haydn's last keyboard piece, a rewritten version of the Imperial Anthem variations from the op. 76 "Emperor." He expounded them with sturdy affection, disdaining any effort to prove them "real" piano music. The big C minor Sonata invited bolder fancies, as did Mozart's Variations on "Ah! vous dirai-je, Maman" (known to us as "Twinkle, twinkle little star") and his great A minor Rondo: vigorous and wilful performances, all these, bristling with quirky conviction.

The very idea of a "Fantaisie sur des rythmes Flamenco" by the Swiss Frank Martin boggled the imagination, but it turned out to evoke flamenco rather imaginatively and very loudly, while sounding unmistakably like Martin. It preceded the main work in the recital, Beethoven's Sonata op. 111, which Badura-Skoda rendered no less forward. Even the Maestoso introduction was pressed urgently, and the main Allegro was fierce and muscular.

Orlando/Guildhall

Martin Hoyle

Orlando won first prize in last year's Vivian Ellis Competition and now enjoys its world premiere at the Guildhall School of Music and Drama in the Barbican complex (until Tuesday). Both the Performing Rights Society and commercial producer Cameron Mackintosh have contributed to the costs, which explains the lushness of this sumptuously-mounted musical by the School's acting course. No West End management would have risked such a panoramic sweep through three centuries, taking in English manor and Turkish mountains, plus the superimposition of Virginia Woolf's relationship with Vita Sackville-West, unless the author was Lloyd Webber or Coward. This production is a monumentally generous first prize.

The author, Kit Hesketh-Harvey, gives us a narrator in the form of Virginia Woolf, a wan figure who unfolds the story of her novel *Orlando* from her desk. Her involvement, and direct confrontations, with her creations range from jealous intervention in the increasingly autonomous adventures of the self-willed male Orlando to deep attraction for the female Orlando, a thinly disguised Vita.

The three-hour work (including interval) contains many set-pieces: a Victorian ball (a sub-Straussian waltz and lyrics about love and life mark the show's one descent to banality), a Fairbankian – as opposed to Firbankian – fight between Orlando and Turkish brigands, an ensemble preparation for a royal visit. There are rousing comic numbers well in the music-hall tradition; and it is here that the writer, aka Kit in the cabaret team of Kit and the Widow besides scripting the film of E.M. Forster's *Maurice*, goes slightly overboard together with composer James McConnel. The show's second half comes near to turning into a series of pastiches and parodies.

Rollicking cockney songs that would gladden the heart of a Bart (on the first night they perceptibly did), a Gershwinesque blues-flavoured belter for a Soho tart which cries out for Bob Fosse choreography, a gypsy number that emerges to be a send-up of the whole *Zorba*-cum-*Fiddler on the Roof* genre, and an ensemble for wits ("harpies and queens," or possibly queans, presided over by Pope, Addison and Swift, a classier Ascot Gavotte): all vindicate the collaborator's cabaret/revue gifts.

Mr McConnel's eclectic gifts run to mock Elizabethan, pseudo-orientalism and Spanish Caribbean. The music for Orlando himself is disappointingly conventional, but with aptly luscious orchestral accompaniment. The authors can characterise vividly, as with the old Queen's world-weary monologue ("a scorpion in my chamber, a stiletto on the stair") over the chorus's whispered chant on her approaching death. Otherwise, the streak of literate, quirky exoticism in many of the songs evokes a new *Façade*; one splendid rhythmically spoken number for a squeaky deb ("Dear Titty") is the best *Façade* song that Sitwell and Walton never wrote.

The performance is opulent and whole-hearted. Saul Radomsky's set, its central staircase dominated by a circle for the projection of scenery, ships' masts or falling snow, is decorated by dazzling costumes. The cast of actors sing out remarkably well. After an hour and a half Jason Smith's handsome Orlando changes sex, and his feminine self, Mary B. Whitcomb, provides an impressive Act 1 curtain by hurling out an unexceptional song like a young Elaine Page. (She looks stunning in hooped Georgian skirts or a Victorian tiered wedding-cake gown out of Winterhalter.) Tremendous vitality in the company set-pieces; the 42-piece band blazes impeccably through Francis Shaw's orchestration. Cluttered with accomplishment, nothing emerges as outstanding: the show should be whittled down enough for an individual voice to be heard.

Continued from Page 22

cubist art of all kinds but principally of the work of the great quartet of Picasso, Braque, Gris and Leger. Ends April 4.

Tate Gallery. David Bomberg – A full retrospective of one of the most distinguished British painters of the century, yet one whose secure critical success came only after his death in 1957, at the age of 66. As a young man in London before the First World War, Bomberg was associated with the Vorticist movement, of the first importance and originality. But now we can see that far from fading into sad mediocrity, deserving of neglect, his later work, although superficially so different, retained all that strength, liveliness and profound originality.

ITALY

Rome, Villa Medici (French Academy). A Certain Robert Doisneau. Photographs spanning the 40 year career of Doisneau, from his touching and evocative Paris street-scenes of the immediate post-war years to a series of portraits of well-known writers and artists. Tender but unsentimental in the images of children and lovers among the rubble of the bombed city, Doisneau is illuminating, humorous, and unmalicious in his portraits: Picasso in 1952, sitting with splayed hands on the lunch-table, but with bread-rolls where the fingers should have been; Prevert posed carefully in front of the shop Merode, so that the O is covered; Colette with an enormous collection of paperweights, and Julian Green, de Beauvoir, Simenon, Dubuffet and Giacometti. Ends April 3.

Florence, Palazzo Pitti. Floralia – 80 paintings of flowers and plants with drawings, tapestries and illustrated botanical books, testifying to the Medici's precocious passion for this science, from Cosimo I onwards. Ends April 10.

MADRID

Circulo de Bellas Artes. The Romantic Tradition in Contemporary British Painting proposes that a parallel development to Modernism has embraced most major British artists since William Blake and that it is as alive today as 150 years ago. This is the first exhibition to undertake such a re-examination and the first group exhibition of contemporary British painting to tour Spain. It features 10 artists and 36 works from private and public collections, some being shown for the first time. The romantics established a spiritual-landscape tradition which proved to be indigenous and an enduring influence in the century to follow. This lineage can clearly be traced from the 19th century through Nash, Sutherland, neo-romanticism, Moore, Bacon and British abstraction of the 1950s to the artists represented in this exhibition. Ends April 17.

NEW YORK

Metropolitan Museum of Art. Every phase of Fragonard's art is included in this, the first comprehensive exhibition of his works that capture France in the last decades of the ancien regime. With 90 paintings and 130 drawings, the show comes from the Louvre with his studies of contemporaries in theatrical costumes as well as paintings like The Fête at St Cloud and The Seesaw. Ends May 8.

WASHINGTON

National Gallery. The human figure in early Greek art is the subject of 67 sculptures and painted pottery starting in the 9th and 8th centuries BC with silhouetted stick figures and ending with the naturalism perfected in the 5th century BC. Ends June 12.

CHICAGO

Art Institute. A centenary retrospective of the work of Georgia O'Keefe evokes the world of flowers and skulls in the luminous light of New Mexico. Ends June 26.

Saleroom/Antony Thorncroft

Finns much sought after

There is still some puff in Scandinavian art. Sotheby's and Christie's between them offered over five hundred paintings in London this week. Not surprisingly the lesser objects failed to find buyers but anything of quality was snapped up at impressive prices.

It was Christie's turn yesterday. It was holding its first auction devoted to Scandinavian art and must be quite happy with the result. The morning session totalled £2,502,880, with 26 per cent unsold, and produced an auction record price of £220,000, for a work by the Danish artist Vilhelm Hammershoi. He is best known for his mysterious interiors (appreciated by Whistler and Renoir rather than by critics in his native land) but this was a 1902 view of the Christiansborg Palace, the seat of the Danish Parliament. A similar version made £110,000 at Christie's a year ago.

It was bought by a Canadian dealer, and there was encouraging global interest in this recently discovered corner of the art world. Harari & Johns of London paid £209,000 for "The dancing shoes" by the Finnish artist Helene Schjerfbeck. This charming 1883 study of a young ballet dancer set a record for the artist. A self portrait done almost sixty years later and depicting the artist as an ethereal spectre went to Sweden for £198,000. The Finnish art was much sought after, with only one of the lots on offer failing to sell.

The Copenhagen Statens Museum of Art paid £104,500 for a Hammershoi interior depicting his easel, while a third Hammershoi, in the style of Vermeer, depicting a woman at the piano, made £88,000. The Statens Museum also bought Emilius Baerentzen's portrait of the Schram family for £33,000. A record was the £71,500 paid by a French collector for "In the woods" by another Finnish female artist, Amelie Lundahl. What is remarkable about the prices paid for the finest works is that there are even better things which the Scandinavian countries will not allow out to be sold in London.

Highlights of the afternoon sale included a nude, "Signe", by the Swedish artist Anders Leonard Zorn which went for £286,000 – more than twice its estimate. Harald Sohlberg's view of a fisherman's house at sunset from Vaervagen was bought for £132,000.

Sotheby's mounted stiff competition in the form of a jewels auction. There is tremendous demand for made up jewellery these days rather than boring single diamonds. At last design and craftsmanship is appreciated. The top price was the £231,000 paid for an emerald and diamond epaulette made by Cartier in Paris around 1920, which took its inspiration from the Indian turban.

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY

Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Friday March 25 1988

Cost of bank bail-outs

"A BILLION HERE, a billion there – and pretty soon you're talking big money." The import of this comment about the US Government's carefree attitude to budgets seems to have been forgotten in the past week or two. Barely an eyebrow was raised in Congress last week by the multi-billion bailouts for two of America's biggest financial institutions - First RepublicBank in Dallas and the Financial Corporation of America in Los Angeles.

Washington's insouciance raises at least three dangers. First there is the inequity between the small institutions, where deposits are legally guaranteed only up to $100,000, and the big institutions like First RepublicBank and FCA, where the safety net appears to have been extended without limit, on the grounds that their insolvency would endanger the US financial system as a whole.

This inequity matters, since the preservation of small banks is seen as an important policy objective in the US. While fragmentation of the banking system has been partly responsible for the extreme fragility of so many banks, it may also help to explain *the extraordinary dynamism* of small businesses in the US.

Moral hazard

The second, and more serious, objection to the implicit extension of deposit insurance is "moral hazard." Depositors who enjoy government protection have no incentive to put their savings in an institution with prudent lending policies. *Instead*, they will tend to chase the highest interest rate available, and this is likely to be offered by the bank or thrift which takes the biggest risks with its loans. In normal times, this moral hazard may not be important because banks stand to lose their shareholders' equity as well as their depositors' money if their lending policies go wrong. The problem becomes extremely acute, however, if shareholders' funds have already been imperilled, or even wiped out, by the excesses of the past.

Bank managers then have nothing to lose by gambling government-guaranteed money on ever more speculative lending. If the gamble pays off, the shareholders benefit; if it does not, the shareholders are no worse off than before, since the new losses are borne by the deposit insurance funds. That this moral hazard is not merely a theoretical problem has been amply borne out by the disasters in the US thrift industry. In addition to the giant FCA, hundreds of other thrift institutions around the country are already insolvent after a government-insured borrowing and lending binge which followed the deregulation of interest rates in 1980.

Taken for granted

The financial consequences will cost astronomical sums to clear up. In Texas alone, the Federal Savings and Loan Insurance Corporation will spend at least $7bn reorganising 143 thrifts. Estimates of refinancing the *thrift industry in the country* as a whole range from $25bn to $55bn and up.

This leads to the third, and most fundamental worry aroused by last week's bailouts. The US now takes bank failures so much for granted that nobody is even trying to search for scapegoats. In the First RepublicBank case in particular, there has been very little criticism of the regulators who permitted the merger of InterFirst and Republic to go ahead last year. The bank's management has not been replaced and policy-makers are all too willing to excuse its failure on the grounds that the Texas economy is in recession and practically every other bank in the state is on the brink of collapse.

Banks should not fail, even in recessions, even when property values collapse or commodity prices fall. Every major bank failure must be seen as a serious indictment not only of a bank's managers but also of the regulators who allowed their imprudence to run its course. The best way to bring some discipline back into the US financial system would be to allow large depositors in a major bank to incur losses, although this may be hard to imagine in the current post-crash environment. Supervision of the US banks and thrifts must also be intensified, especially if banking companies are allowed to expand into even riskier activities such as securities trading. If banks go on failing, managers, regulators, and large depositors, not the state of the economy, must bear the blame.

Escalation in the Gulf

MR Javier Perez de Cuellar, the United Nations Secretary General, said earlier this week that he was "appalled" by the recent escalation in the Gulf war, and with good reason.

At the turn of the year, there seemed to be at least a glimmer of a chance that the international effort to halt this futile conflict might begin to bear fruit – either in drawn-out talks on the implementation of the UN Security Council's ceasefire call (resolution 598), or in a follow-up resolution mandating an embargo on arms sales to the recalcitrant party (that is, Iran).

Events in the last few weeks have left these hopes, and a good deal of the credibility which the Security Council appeared to have rediscovered last year, in ruins.

Iran and Iraq have been raining missiles on each others' cities. The "tanker war" continues unabated. Most recently, there has been an upsurge of hostilities in the Kurdish area of north-eastern Iraq; Iran has captured mountainous chunks of Iraqi territory and Iraq has, by all accounts, gruesomely responded by bombing occupied areas with chemical weapons.

Out of control

In short, the war is once again raging out of control with a brutality matched only by its senselessness. Despite heavy loss of life, none of the fronts on which the conflict is currently being fought has much strategic significance. Each side is merely trying to wear the other down and has precious little prospect of succeeding.

One main casualty of the fighting has been diplomacy. There is no immediate prospect of fresh negotiations, or of a follow-up resolution. Although both Iran and Iraq bear some responsibility *for this sorry state of affairs*, it is hard not to conclude that a disproportionate share of the blame rests with Baghdad.

In the second half of last year, the Iraqis were in an enviable political position. International opinion was squarely behind them in calling for an end to the conflict and in identifying Iran as the principal obstacle to peace and freedom of Gulf navigation. The Soviet Union appeared slowly to be coming round to supporting an arms embargo against Iran. Given his acceptance of resolution 598, the overall impression was that President Saddam Hussein had justice on his side.

Iraq's actions in the last few weeks have gone a long way to dissipate that consensus. By firing missiles at Iranian cities and attacking more Iranian tankers, it has if anything stiffened Iran's resolve. It has allowed the Soviet Union to back away from enforcement measures and strengthened the hand of other members of the Security Council who favoured a more even-handed approach towards Iran.

Horrifying scenes

Then there is the issue of chemical weapons, use of which is outlawed by international convention. Iraq has been at pains to deny that it was responsible for the horrifying scenes of death by poisoning on display this week in the Kurdish town of Halabja. But Baghdad has been found guilty on previous occasions of using *lethal chemicals in the Gulf* war despite vehement denials. To discover the truth, Mr Perez de Cuellar should urgently send a UN inspection team to the area.

The question remains: why has Iraq chosen to escalate the war to its current pitch at the expense of so much political capital? It was, after all, under no particular pressure on land since the Iranians had failed to launch their long-threatened new offensive on the southern battlefront.

The answer appears to lie in Baghdad's perception that the world was not moving fast enough to punish Iran for its failure to accept resolution 598, and that the land war was actually winding down. Iraq fears a de-escalation of the conflict almost as much as anything, on the grounds that this might cause the international community to sink back into complacency and provide the Iranians with a breathing-space in their war of attrition.

It is up to the Security Council now to prove this theory wrong and show that it wants an end to the war as badly as it did last July, if necessary by considering sanctions against both sides.

Martin Dickson on today's Lonrho AGM and its larger-than-life chief executive, "Tiny" Rowland

Idol of the small investor

THEY WILL GATHER in their hundreds from across England to pay homage to the great man; some will press forward humbly to the rostrum, to *solicit his autograph or shake his sun*-tanned hand; others will be content with a flash of teeth from that charming, if somewhat crocodile smile.

The charismatic qualities of a successful politician or matinée idol are not common among British business leaders, but Mr Roland "Tiny" Rowland, chief executive of Lonrho, has them in plenty. And his remarkable hold over Lonrho's loyal army of small investors will be on full display today at the company's annual meeting in London.

The AGMs of most large British companies are ill-attended, unimaginative and extremely boring, but Lonrho's has a certain style. First comes a film which lends a touch of the epic to its activities: gold mines in Zimbabwe, wine-making in Bordeaux, hotels in Mexico . . . the images fly past. Then there is an uplifting speech from that most silkily urbane of chairmen, Sir Edward du Cann. And finally, a chance to meet the management over an agreeable glass of Lonrho whisky.

But this year the script will be a little different. For one thing, there may be some aggressive questions about Lonrho's long-controversial accounting methods from dissident shareholders associated with Mr Rowland's great enemy, the Egyptian Al-Fayed *family*, which three years ago won control of House of Fraser, the stores group which includes Harrods, from under the nose of Lonrho.

More important than that, Mr Rowland has reached 70, an age at which he must stand for re-election to the board. The poll is a mere formality, but the milestone raises a crucial issue for shareholders: how long does the man who built Lonrho up from an obscure Rhodesian company intend to carry on?

Many City analysts would add a further question: just where is Lonrho heading? Or, to put it more bluntly, has the long and ultimately unsuccessful siege of House of Fraser sapped the company's energy, leaving it embittered and obsessed by the Al-Fayeds? Indeed, despite healthily rising profits over the past few years, there has even been speculation that a break-up bid might be launched for the group.

The ultimate answers to both questions lie inside Mr Rowland's head, for his personality dominates Lonrho in a manner unmatched in a British company of such size. The elusive chief executive, who shuns the national press (apart from the Lonrho-owned Observer, which faithfully trumpets the company's attacks on the Al-Fayeds) could not find time to be interviewed *by the FT*.

Yet all the indications are that he is intent on leading the group for years to come . "Lonrho is his life," says one insider. " He's never going to give it up." Despite periodic rumours of ill-health, he leads a remarkably energetic existence, flying around the world in the Lonrho Gulfstream jet, clinching a deal here, parleying with a President there. "He likes being the merchant statesman, bestriding the world," says one City analyst.

The acid test is what all this means for Lonrho's profits and earnings. Here the record is mixed. In the first 15 years after Mr Rowland joined what was then an obscure mining business, the company's growth was remarkable, with pre-tax profits rising from £200,000 in 1961 to £92m in 1976 as it expanded across the African continent with a hectic round of acquisitions.

But there was a negative side. From the first, Lonrho was enveloped in controversy, stemming both from its headlong expansion and Mr Rowland's maverick style. All this came to a head in the early 1970s when it suffered a severe liquidity crisis, followed by a bitter boardroom battle between Mr Rowland and dissidents who tried to unseat him.

The 1970s also saw a shift of strategic emphasis, as the group began expanding outside Africa, notably in Britain. In 1977 it acquired its first stake in House of Fraser, starting a siege of that company which led to repeated government inquiries.

It is from the late 1970s that the financial record becomes more uneven: Earnings per share, which reached a record 19.9p in 1976, fell to 6.3p in 1982, and only surpassed the previous peak in 1985, before sweeping up to 30.1p last year. Admittedly, much of this gyration was due to commodity cycle factors beyond the company's control: the Nigerian oil boom of the mid-1970s gave its performance a lopsided boost, while *the slump in platinum and gold and* sugar prices in the early 1980s then pulled it down hard.

Analysts are generally agreed that if Lonrho had not been blocked by the Monopolies Commission in 1981 from swallowing House of Fraser, it would have got a very good buy, which would have greatly improved the quality of its earnings. "If Rowland had got control of House of Fraser," says Mr Bob Carpenter, an analyst at brokers Kitkat & Aitken, "he would have been seen as a hero, the chap who saw the opportunity in the British high street long before Halpern, Conran and Hanson."

The fact is that he did not win, in no small measure because of Lonrho's penchant for rubbing the British establishment up the wrong way. Indeed, one of the greatest of the paradoxes which surround Mr Rowland is the fact that his extraordinary diplomatic skills in *Africa seem to desert him in the dank* (and he would probably say hypocritical) air of Britain.

The group has never entirely shrugged of Mr Edward Heath's phrase, apropos the 1973 boardroom row over salaries and expenses, that this was the "unacceptable face of capitalism", nor the subsequent government inquiry, published in 1976, which was highly critical of many aspects of Lonrho's affairs.

Suspicion of the group must have played a role in the 1981 referral to the Monopolies Commission, which blocked a bid for House of Fraser on the grounds that this would strain Lonrho's *management and be a risk to the* efficiency of Britain's biggest department store chain.

Lonrho has always been a deal-driven company. Its investors are backing Tiny Rowland's eye for a bargain

Yet just over three years later – and against the background of a much more *laissez-faire* government attitude to bids – the commission changed its mind and said Lonrho could bid. By then Lonrho had shot itself in the foot, selling its 29.9 per cent HOF stake to the Al-Fayeds, whom the Government did not see fit to put through the hoops of a Monopolies inquiry.

Mr Rowland's refusal to play cricket according to the British rules is underlined by the campaign he has waged since then against the Al-Fayeds, alleging that they achieved the takeover on the basis of false information about their financial position – a claim they consistently deny. But his relentless tirade of vitriolic abuse *has* produced results, in the form of a Department of *Trade* inquiry into *all* aspects of the HOF takeover.

Whatever the outcome of that investigation, House of Fraser seems lost to Lonrho for ever. The Al-Fayeds would hardly sell it to their enemy, while Lonrho appears far less interested in this much-changed business, particularly now the 1980s retailing boom is probably past its peak.

That being so, just where is Lonrho heading? "The company's problem in the City," says one leading analyst scathingly, "is that it does not appear to have any coherent, discernible strategy."

Such a sweeping judgment is not entirely fair. For one thing, Lonrho has always been essentially a deal-driven, entrepreneurial company. Those who invest in it are in large measure backing Tiny Rowland's eye for a bargain, rather than any fancy business school theories about corporate goals.

At the same time, there does seem to be a strategy of sorts, though what this obsessively secretive company has revealed of it so far looks distinctly humdrum when set alongside the high drama of the fight for House of Fraser.

First, it has taken a significant step into the oil industry, investing while crude prices have been low in the expectation of an eventual upturn. In 1976 it set up a new joint company with Mr Robert Anderson, the former chairman of Atlantic Richfield, which has since merged with Panley Petroleum, a small, integrated US oil company. Much more could be afoot in this field. There have been rumours, on which Lonrho declines to comment, of negotiations over oil in the Middle East, and in particular a large barter deal with Iran.

Indeed, politically-isolated Iran, which Mr Rowland is known to have visited last year, could turn out to have a large role in his ambitions. Another link would be forged with that country if Lonrho goes ahead with current *negotiations to buy half of Krupp* Handel, the large West German trading house, since the Iranian Government has a long-standing 25 per cent stake in Krupp's parent.

Second, efforts continue to diversify away from Africa, which still accounts for some 50 per cent of group profits. The oil and Krupp Handel deals are part of a build-up of resources in the US and West Germany. In the Far East, Lonrho has formed an unusual joint venture with a large Japanese trading house, Nissho Iwai. However, this has yet to produce results and critics say Lonrho has been far too late in seizing the opportunities of the Pacific rim.

Third, it is expanding its existing businesses both through capital investment and add-on acquisitions: for example, a large new wing is being built at its Metropole hotel in London, while last year, in a very well-priced deal, it bought out its minority partner in Western Platinum, the South African mining house which is one of its most lucrative operations. However, its acquisition of Today newspaper was not a success and it sold the *business* after less than a year of heavy losses.

The 1980s have also seen a substantial strengthening of management structure and there now seems general agreement among analysts that at operational level the company is well run. Like many conglomerates, it operates a highly decentralised system, with the business divided into 34 management regions, each responsible for its own profitability, while the centre exerts control through a strict monthly financial reporting regime.

But there is still concern in the City over the balance of power at the top. The 1976 DTI inquiry made clear that Mr Rowland totally dominated the Lonrho board – he likened fellow directors to "sort of Christmas tree decorations." The greater complexity of the business may have shifted the balance in favour of other executives, but they do not come across in public as particularly forceful figures and there are no non-executive directors on the board who might provide an independent voice.

All this may work to the shareholder's benefit while Mr Rowland comes up with good deals, but a lopsided board would be another matter if he lost his touch.

As for a break-up bid, this seems unlikely in the short term. City analysts currently estimate the net asset value of the business at around 450p a share, compared to last night's closing share price of 251½p. But Lonrho's African interests would be of questionable value without Mr Rowland's diplomatic skills, while several of its important assets are in joint ventures, which could be hard to unlock. Uncertainty also surrounds the fate of one of its biggest UK profit earners – VAG, the importer of Audi and Volkswagen cars, following news that Volkswagen has taken a step which might lead it to acquire eventual control.

Furthermore, few predators would relish the idea of a no-holds barred contest with Mr Rowland, who anyway owns some 15 per cent of the equity and has his loyal band of small investors .

The immediate profits outlook is also uncertain and depends considerably on the price of platinum. Last year it enjoyed a rise of more than 20 per cent, to £200.2m pretax, but City estimates for this year range from as low as £174.5m up to £215m – respectable but hardly exciting.

Perhaps Mr Rowland has new deals up his sleeve, to show that he can still swim ahead of the tide of business history; and to confound critics who say he has lost a retailing empire but not *yet found a role which measures up to* his outsize personality.

OBSERVER

Stockman joins the fashion

■The new breed of small, star-studded boutique Wall Street firms has notched up another notable victory over the giant globalised securities houses which reigned over the 1980s bull market.

David Stockman, the White House budget director during the profligate years of 1981-85, has left his job as a managing director of Salomon Brothers to join the Blackstone Group, one of the more aggressive investment banking boutiques.

Stockman, who has been at Salomon since he left the White House to write his revealing memoirs "The Triumph of Politics", will be one of five general partners of Blackstone. He will also direct a new Blackstone affiliate to be called Stockman & Co which will provide research and investment advice.

He is by no means the first well-known figure from the world of politics to find his way into the new wave of investment banking firms. Blackstone's chairman is Peter Peterson, Commerce Secretary in Richard Nixon's administration.

An even more spectacular name joined the rival investment banking combo, Wolfensohn, as part-owner and chairman – Paul Volcker,former chairman of the US Federal Reserve Board.

Many of the most notable stars shining in the new mergers and acquisitions universe are ex-Salomon and ex-First Boston, both at the centre of constant press speculation about internal squabbling and back-stabbing.

Stockman admits that there are some problems at Salomon, but loyally asserts that they will work themselves out. He wants to run his own shop, he says. And Peter Peterson claims that he receives quite a few approaches from disaffected Wall Streeters who want a job in the brave new world of Blackstone.

Tory gnomes

■Top Tories make their key speeches in Zurich. Margaret Thatcher outlined her vision of the future there when she was Leader of the Opposition in 1977. Nigel Lawson gave perhaps the best ever exposition of the medium-term financial strategy there in 1981. And last night in Zurich Sir Geoffrey Howe explained how a successful British economic policy had strengthened foreign policy.

The reason why the 1981 speech was made by a "young lad called Lawson" was apparently that Howe, who was Chancellor at the time, had another engagement.

Lilley's lesson

■Peter Lilley, one of the brightest of the new ministerial intake after last year's general election, is discovering that life in the corridors of power can be tough. He *has also* found out that the exchange rate is not the only area in which the Prime Minister exercises her prerogative to overrule the Treasury.

Lilley, the Economic Secretary to the Treasury, was determined that the Government would put its free-market principles into practice when it unveiled the 11th round of North Sea oil licencing yesterday.

The licences would be auctioned off to the highest bidder rather than, as in the past, allocated largely at the discretion of the Secretary of State for Energy. As Lilley had argued in a Bow Group pamphlet several years ago, that would secure the maximum revenue for the Government while ensuring the free play of competitive forces.

He reckoned without Cecil Parkinson's close relationship with Margaret Thatcher. By the time Lilley arrived at the relevant Cabinet committee meeting Parkinson had already had a quiet word with her. Nigel Lawson meanwhile was said to be too busy with the Budget to come to the aid of his junior minister. *The Prime Minister simply nod*ded in Parkinson's direction and the issue was resolved in favour of the status quo.

Sources close to Parkinson say that Lilley put up a good fight, but that he has still to learn that in the Thatcher Government battles are won before meetings not during them.

"A woman in the milk industry – whatever next?"

Mobile Hall

■The ubiquitous Martin Hall has landed yet another new job. Hall used to be Press Secretary at the Treasury under Chancellor Howe and, briefly, under Chancellor Lawson. Then he was head of the Treasury's old financial institutions department. He has also done time in the Foreign Office.

He was director of corporate affairs at the Channel Tunnel Group for almost a year until he left last month. He will become director of policy and planning at the Securities Association in April. For all his peripatetics, he is a decent sort of chap.

Job for the boys

■The Milk Marketing Board has less bottle than it would have us believe when it comes to appointing a woman as its chief executive.

Detta O'Cathain, the 50-year-old managing director of milk marketing, thought the job that has been vacant for the past three years was hers after talking *to the board chairman* Bob Steven, a committed O'Cathain fan.

Steven may have thought so too, until he put it to the rest of the board made up of 15 farmers and three government-appointees. The proposal was roundly rejected and board members have said why: she is not qualified, she is undiplomatic, and she refuses to give up her directorships with the Midland Bank, Tesco, and Sears.

While admitting two of those charges, O'Cathain is wondering how better qualified she (or anyone else for that matter) could be. She has run a £2bn business for the last three years. Coming to the post on the day that the milk quotas were announced, she was faced with reducing staff by 17½ *per cent. She has confronted the* problem of higher milk prices at a time of surpluses, she runs a strong marketing department and has responsibility for five testing departments. Then there is finance and credit control.

"I suspect very few chief executives have that kind of experience. But this was the judgement of 15 farmers with slightly smaller operations," she said yesterday.

Drive carefully

■A reader in Kent assures us that this story is true. A man was driving home from a party, stopped by the police and about to be breath-tested when there was an accident on the other side of the motorway. The police told him he was "bloody lucky" and to drive home carefully. Then they crossed the road to attend to the accident.

A few hours later he was aroused from his sleep by the police at his front door. They asked if he owned a certain registration number. He said "yes", picked up his keys and unlocked *his garage*.

There was a police car inside.

POLITICS TODAY: by Joe Rogaly

What Britain can do about Ireland

THERE IS no short-term solution to the problem of Northern Ireland. There just may be a long-term one, if the British Prime Minister takes it seriously enough. This is plain if you re-examine the pieces of the puzzle, as most of us outside the unhappy province have to do each time there is a resurgence in violence terrible enough to refocus our constantly wandering attention upon it. The awful scenes on our television screens last week, particularly those in which two young British soldiers were murdered by a bloodthirsty mob, have been exceptionally shocking, and have thus had an exceptional effect upon the British consciousness. Let us, therefore, look again for a road to peace.

In Britain, three possibilities have been widely discussed by politicians and the saloon-bar public alike over the past few weeks. The first is the withdrawal of the British Army from Northern Ireland, with only a sour curse on both sides as a parting gift. The second is the very reverse: an intensification of the campaign against paramilitary organisations in both communities, aided by such devices as internment, the re-introduction of capital punishment and the determined use of killer commandos such as the SAS. The third is to persist with efforts to defeat the IRA and its Protestant counterparts, while working with the Irish Government as the significance of the border between north and south is eroded. Call these options "troops out", "troops in", and "containment-plus".

We can dismiss the first quite quickly. Some isolated Labour politicians and a great many on the extreme left of British politics support "troops out", but the idea does not stand up to examination. It suffers from the initial (and to me over-riding) disadvantage that it would constitute a vindication of the IRA strategy of terrorist violence – but, even for those who could swallow that, it has a further, fatal, flaw. It would not end the violence, but intensify it. On this matter there is a chilling near-unanimity among British politicians with a close acquaintance with Northern Ireland.

What they say is that, in the absence of a British military force, the Protestant paramilitary organisations would seek to restore the Unionist ascendancy. There would be political murders, revenge murders and virtual civil war. The locally recruited police and defence forces, which have been built up as a means of reducing the front-line activities of the British Army, would doubtless involve themselves.

The minority Catholic population could not win such a battle on its own. It would be almost impossible for any Dublin Government to restrain itself from going to the Catholics' assistance. Co-operation between Washington and London on security would be under severe strain; one consequence might be that "volunteers" from the Irish community in the US would come over to join the fray. (If you have ever sat through a night's patriotic singing in one of New York's Irish bars you will find this easy to believe.) As one British minister said this week, "you would have the Spanish civil war replayed on our doorstep." Some people doubt that the loyalists would start such an affray, but the risk is not worth contemplating.

So what, then, about "troops in"? This would attract strong support from many people in Britain, not least those on the Conservative back benches who

DEATHS FROM THE TERROR IN NORTHERN IRELAND

	RUC	Army/ UDR	Civilian	Total
1971	11	48	115	174
1972	17	129	321	467
1973	13	66	171	250
1974	15	35	166	216
1975	11	20	216	247
1976	23	29	245	297
1977	14	29	69	112
1978	10	21	50	81
1979	14	48	51	113
1980	9	16	50	75
1981	21	23	57	101
1982	12	28	57	97
1983	18	15	44	77
1984	9	19	36	64
1985	23	6	25	54
1986	12	12	37	61
1987	16	11	66	93
1988 to-date	2	7	12	21

Source: Hansard, Northern Ireland Office

have been muttering all week about the desirability of "going in there and sorting them out." But this, too, would not work. The last time internment was introduced, in 1971, violence increased sharply. There was an international outcry. Support for the IRA was probably strengthened. Again, capital punishment would produce martyrs, upon which organisations like the IRA thrive. Some of the Tories who support capital punishment in general have been heard to say, "but of course not in Northern Ireland."

It may be objected, particularly in saloon-bar conversations, that this is all very well but that if the British forces were unleashed they could wipe out the men of violence. People who take this view express little disquiet at allegations that there was a "shoot-to-kill" policy at the start of the decade, or that something very like such a policy was in use in Gibraltar when the three terrorists who were buried last week were shot in the street by the SAS. The trouble with this line of thinking is that we live in a democracy. One important difference between the IRA and the British Government is that the latter stands for the rule of law. In our society, assassinations of doubtful legality raise more questions than they answer. They breed further hostility against the British. Seriously "wiping out" an enemy requires the callousness of a Stalin, a Hitler, or a Pol Pot.

We are therefore left with the third option, which is "containment-plus". The recent series of awful events may lead some people to think that the containment side of this policy is not working. In fact, as the table shows, the number of violent deaths has been brought under a sort of control over the past decade. The sharp increase in the number of people injured over the past couple of years, and the increase in civilian deaths last year, is ascribed by Unionists to the Anglo-Irish Agreement, which was signed in November 1985. I will come to that agreement in a moment, but first it should be recognised that a great deal of the killing and counter-killing has taken place between the security forces and their insurgent opponents, or between paramilitary factions. The Provisional IRA contains some of the most sophisticated terrorists in western Europe; increasingly they have been matched, and out-matched, by British intelligence. Examples of the results were seen in May 1987, when eight IRA men, and a passing motorist, were killed in an ambush at Loughgall police station – and, again, in Gibraltar the other day.

The plus side of "containment-plus" is the Anglo-Irish Agreement, which is as important for its psychological impact as for what it says. It acknowledges the existence of international concern for the affairs of the province, first because it has been registered at the United Nations and, second, because it provides for continual consultation with the Republic of Ireland. Britain retains sovereignty, but it cannot be said to be undiluted.

To some British politicians the long-term purpose of the agreement is to prepare for the day when the people of Northern Ireland have been persuaded to vote for a transfer of sovereignty from London to Dublin. This is not the view of the Prime Minister or of her several Secretaries of State for Northern Ireland. The Ulster Protestants may be exasperating, but the Conservatives would not accept a strategy of selling them down the Liffey.

The purposes of the agreement are, first, to remove the sting of international pressure and, second, to persuade the Protestant community that it

The scene after the Remembrance Day bombing at Enniskillen last November

must come to some kind of political understanding with the Catholics if its future is to be secure. The first purpose has been met. President Reagan has recognised the significance of the agreement, as has the European Community. It could also be argued that the issue of the border has been defused. Its significance will be further eroded in 1992, when the EC abolishes internal customs posts and establishes a single economic regime. The Irish Government for its part has had to accept responsibilities.

As to the second purpose, a forthcoming book, Northern Ireland since 1968, by Paul Arthur and Keith Jeffery, (Basil Blackwell/Institute of Contemporary British History) suggests that progress is being made. "The loyalists," say the authors, "are still out in the cold and, indeed, are in some disarray. But there appears to be a slow Unionist realisation that old methods and old cliches are no longer relevant. In short, the Anglo-Irish Agreement has at least made that psychological breakthrough." We can already see results. For example, the contribution of the formerly fiery Unionist Mr Peter Robinson to Monday afternoon's debate in the House of Commons was noteworthy for its tone of moderation.

It is plainly necessary for the British Government to tread with great delicacy on these new-laid eggs. Lean too hard towards Dublin, and the old Protestant fears of a "United Ireland" are rekindled. Allow too many events that seem like anti-Catholic outrages to pile up, and the local political pressure on the Irish Government to dilute the significance of the agreement is intensified. For this reason, the ministers and permanent secretaries at the Foreign Office, the Home Office, the Northern Ireland Office, Defence and the Treasury have been persuaded, over the past few weeks, of the desirability of introducing an "Irish dimension" into the review of new Government policies. There is just such an internal understanding in Whitehall over the "European dimension" – how will this play in Brussels? Now a new question has been added: "How will it play in Dublin and Belfast?" It is not more than a century or so late.

The Cabinet Office will, of course, co-ordinate this effort. What is missing is the necessary degree of attention from the Prime Minister, Mrs Margaret Thatcher, herself. She concentrates on Northern Ireland when its costs are placed before her, or when British soldiers are murdered. Beyond that, she simply does not have the time to maintain so delicate an operation as the Anglo-Irish Agreement.

One way out might be to place the Cabinet committee for Overseas Affairs (Ireland) under the stewardship of Sir Geoffrey Howe – or, if it is thought that he is out of the country too often, under the Home Secretary, Mr Douglas Hurd (himself a former Northern Ireland Secretary). Either of these would nurture the "containment-plus" policy in London while Mr Tom King, the Northern Ireland Secretary, builds his relationship with the Irish Deputy Prime Minister in Dublin. Such concentration on the agreement is a slender hope, but there is no other.

Lombard

The conifers go marching on

By Bridget Bloom

BRITAIN's forestry policy has come under unprecedented attack over the past year. There has been weighty criticism of the economic viability of government – assisted planting from the National Audit Office, the government's independent auditor, and from the Public Accounts Committee of the House of Commons. At the same time, all the major conservation groups have questioned the environmental impact of serried ranks of conifers marching across heather moors and hills.

So there was great interest when it was announced in last week's budget that tax incentives for the rich, which had encouraged conifer planting in marginal lands like the Flow Country in northern Scotland, were to be abolished and a new system of grants devised. From the way government ministers talked in the week it took for details of the grants to be published, it seemed as though a new era in forestry policy was under way.

Sadly, this is not the case. The tax incentives have been replaced by much bigger grants for planting both conifer and broadleaved trees, but otherwise the policy mix is distressingly similar to what went before.

It has not, of course, been publicly presented like that. To meet the criticism that too many conifers have been planted in the past, there will be more grants for broadleaved trees and for planting mixed woods, while there will be a virtual ban on planting conifers in the English uplands.

But Sir David Montgomery, Chairman of the Forestry Commission which implements forestry policy, let the cat out of the bag when he confirmed on Wednesday that conifer plantations must continue to be established in Scotland and Wales to meet the Government's unchanged target of 33,000 hectares of new forest each year. And he confirmed that the new grants – which actually involve comparatively higher increases in grants for planting large acreages of conifers than of broadleaved trees – have been set at levels which would make such planting still attractive to the private investors who are responsible for three-quarters of today's forest planting.

That is not all bad: Britain is underforested compared to Germany or France, and manages to produce only 9 per cent of the timber requirements for an expanding processing industry. Environmentally, the guidelines accompanying the new grants, being more precise, should encourage more sensitive planting. The new grants may well encourage farmers and local landowners, as distinct from the absentee rich, to establish new woods.

But it is hard to avoid the conclusion that a real opportunity to produce a more relevant and publicly acceptable forestry policy has been missed. There is little evidence, for example, that the new grants will allow the Forestry Commission to meet the chief criticism from the NAO and PAC that the returns on public money are too low while the costs of creating jobs in forestry is too high. There is virtually no change in the rules governing the adjudication of complaints from the public of insensitive planting. This despite the fact that the Scottish Local Authorities Association and all the conservation bodies, including quangos like the Countryside Commission, have called for greater transparency in consultation procedures. Mr Malcolm Rifkind, Scottish Secretary and informally the lead minister on forestry, has repeated that planting in the important parts of the Flow Country will go on.

The Forestry Commission itself is partly responsible for this missed opportunity, for it has often been bureaucratic, secretive and resistant to change. But the chief culprits must be the several ministers responsible for forestry, who apart from the Scottish Secretary, also include the Minister of Agriculture, the Secretary of State for the Environment as well as the Welsh secretary. It is they who collectively have failed to realise that more is necessary to make forestry policy publicly acceptable than just the abolition of a few unpopular tax incentives.

Letters to the Editor

Employees take share risks too

From Mr D.R. Singh.

Sir, I am fascinated by the column inches that have been devoted to the "giveaway" Budget proposed last week by the Chancellor.

My circumstances are reasonably straightforward and, with one exception, are likely to be similar to many others in the country. After taking into account the married man's allowance, interest on the maximum allowable £30,000 mortgage, and a qualifying loan for buying shares in an employee-controlled company (offset by the car, fuel and private health disallowances), the drop in my marginal rate of tax from 55 per cent to 40 per cent leaves me approximately £450 better off.

On the other hand, the raising of capital gains tax (CGT) to 40 per cent is going to cost a very significant additional amount when the value of the shares in my company (which underwent a management-led employee buy-out last year) is – I hope – realised in the future. One would have thought that the Chancellor might at least have proposed a lower rate for the risk involved in inculcating an enterprise culture which involves employees.

D.R. Singh,
Trevose,
23 Lickey Square,
Barnt Green,
Birmingham

Bonus should now be 'rationalised'

From Mr Kenneth Gough.

Sir, Since Mr Lawson's Budget has given board directors and senior executives a large increase in net pay, can I now assume that this bonus will be "rationalised" for the benefit of shareholders by an immediate reduction in executives' gross pay and perks?

K. Gough,
40 Grafton Square, SW4

No such thing as a fairly-taxed lunch

From Miss Sue Harvey.

Sir, How can Mr Nigel Lawson have cut out tax-exempt business lunches for foreigners but ignored a far bigger culinary anomaly closer to home – the different tax treatment of employees' meal allowances in large and small firms?

Meals served in staff canteens are provided tax free, an effective average tax allowance of £1.50 per day. Luncheon vouchers – used by employees in small businesses – have a tax exemption of just 15 pence a day, a figure unchanged for 40 years.

The canteen tax allowance costs the exchequer several hundred million; the meal voucher allowance, £5m. Surely it is right to balance these figures out?

Mr Lawson likes to tackle unfair and unequal tax treatment. It is a comparatively small matter, but modernising the meal voucher figure would be the right move for a reforming Chancellor, and be popular with Britain's rapidly growing small business workforce.

Sue Harvey,
Luncheon Vouchers
50 Vauxhall Bridge Road, SW1

New CGT base date suits the Treasury

From Mr Michael Lever.

Sir, Contrary to Lex (March 19), it is my opinion that only the naive will jump at the chance to realise capital gains on property holdings – but as it seems to be the way many people are thinking, I sense they will fall into Mr Nigel Lawson's little trap.

Capital gains tax (CGT) is only payable when an asset is sold. The 1965 base date has acted as a disincentive for releasing gain, which has led to an enormous accumulation of untaxable wealth, and has also provided an excellent collateral base for securing finance.

There are two clear advantages to the Treasury in altering the valuation base date to 1982.

First, it simplifies the Inland Revenue's task of agreeing values with the taxpayer. Second, it invites investors actively to sell; this extracts the tax, instead of allowing it to remain inaccessible.

Although there has clearly been growth between 1965 and 1982, the current level of values has only been around for a few years. If the Chancellor is able to exchange the "loss-making" cost of collecting 30 per cent CGT revenue for a highly profitable 40 per cent share in current prices, then his politically acceptable wealth tax will more than compensate for a reduction in top rate income tax.

Michael Lever,
43 Buck Lane, NW9

Labour will produce an alternative

From Mr John Willman.

Sir, Your editorial on the Opposition's response to Mr Lawson's Budget (March 17) suggests that Labour needs fundamentally to reappraise its taxation policies.

One of the seven groups in Labour's Policy Review is concentrating on taxation and economic equality. The Fabian Society is funding an important review of the whole field of taxation as a contribution towards that process; it will analyse changes since 1979 and look at developments elsewhere (including Australia and New Zealand).

To carry through such a fundamental reassessment requires considerable time and resources. It is hardly fair, therefore, to criticise Labour for being unable to produce a fully formed alternative to the Chancellor's radical restructuring at the drop of a hat.

John Willman,
Fabian Society,
11 Dartmouth Street, SW1

'Peril for the hour, pith for the future...'

From Mr D.J. Booth.

Sir, The studied caution with which your pages have greeted the recent Budget is met with equal concern by those who are drawing comparisons with 19th century free trade Budgets. Of the 1842 Budget, Gladstone observed:

"...the income tax the boldest, the most fraught alike with peril for the hour and with consequence of pith and moment for the future."

D.J. Booth,
4a Linon Road,
Lymington, Hampshire

Entrepreneurs are the engineers of the Thatcherite cultural revolution

From Mr Simon Wilson.

Sir, Your leader "An unfinished agenda" (March 19), and Michael Prowse's article headed "Lawson's cultural revolution" (March 19) both miss or ignore the essence of the cultural revolution taking place in Thatcherite Britain.

It is that the means to a wealthy and prosperous nation for all – both "rich" and "poor" alike – is through the creation of a culture that favours entrepreneurism and enterprise; for it is entrepreneurs who are the fundamental engineers of change and instigate the creation of wealth.

Thatcherites do not "... want families to get rich and stay rich" (Michael Prowse), but wish people to have money and use that money to risk their ideas in the market place in order to create wealth for themselves and the nation.

For enterprise to succeed and for entrepreneurs to take risks in the market place of our society (where judgement of that risk is most efficiently exercised), what they need most is disposable income. To imply in your leader that Japan does not encourage entrepreneurs "whose highest marginal rate of income tax is 78 per cent" is to ignore the fact that the threshold for this tax is £152,607 (Ralph Atkins' FT article of March 17).

Similarly it is to ignore the structure of the taxation system, with income tax cuts and incentives to save, introduced in Japan in the late 1950s and early 1960s. Enterprise in the Japanese economy was encouraged after the war, and formed the seedbed of today's great Japanese companies.

The supply-side theory, then, is surely not to "...persuade top earners to work harder, because each hour's labour will have greater purchasing power" (Michael Prowse), but to leave individuals with more of their income in their own pockets; thus the entrepreneurs among them can build up capital in order to risk it on the serendipitous process of creating wealth in the market place through trial of their own ideas.

There is indeed a considerable unfinished agenda to be carried through in the UK's cultural revolution. Tax rates, indirect taxes through national insurance charges and tax thresholds still show room for cuts in order to promote the creation of an enterprise society and – dare one say so? – make Britain a "nicer place in which to live." It is the place of the legal and moral institutions in our society, not the tax and economic regulatory system, to ensure that entrepreneurs are directed towards goals that accord with society's wishes as a whole.

F.A. Hayek, in The Constitution of Liberty, quotes from H.B. Phillips:

"...In an advancing society, any restriction on liberty reduces the number of things tried and so reduces the rate of progress. In such a society freedom of action is granted to the individual, not because it gives him greater satisfaction but because if allowed to go his own way he will on the average serve the rest of us better than under any orders we know how to give".

Simon Wilson,
14 Stoneydeep,
48 Twickenham Road,
Teddington, Middlesex

FINANCIAL TIMES
Friday March 25 1988

Israeli dissident convicted of espionage


Mordechai Vanunu: facing a life sentence

MR MORDECHAI VANUNU, the former nuclear technician who told a British newspaper that Israel had been developing nuclear weapons for two decades, is expected to be sentenced on Sunday to life in jail, writes Andrew Whitley from Jerusalem.

Yesterday, at the end of a seven-month trial held entirely behind closed doors and amid tight security, a three-judge bench found the 34-year-old dissident guilty on all three charges: treason, aggravated espionage and the unauthorised transfer of information.

Mr Vanunu was kidnapped abroad by the Mossad, the external intelligence service, in September 1986 and brought back to Israel. This was shortly after his disclosures about Israel's previously unconfirmed nuclear capability were published by the London Sunday Times.

In keeping with the rest of the proceedings, only one sentence of the 60-page verdict was made public: the fact that Mr Vanunu had been found guilty. Nor was there any word from the defendant himself, hustled away in a van with its windows blacked out to prevent him communicating with waiting journalists.

Mr Avigdor Feldman, the left-wing defence lawyer, had tried unsuccessfully to persuade the court to throw out the charges on the grounds that his client's forced repatriation to Israel constituted a miscarriage of justice. However, an appeal to the Supreme Court is considered almost certain.

Mr Vanunu is believed to have insisted throughout his case that he was acting out of ideological motives, with the aim of sparking a debate in Israel and abroad over the morality of nuclear weapons. But the authorities argued that he had told his story about his nine years at the top-secret Dimona nuclear facility in the Negev for money.

Andrew Gowers and Andrew Whitley report on a spy case that affects military strategy

Israel's nuclear myth exploded

WHEN Mordechai Vanunu begins his official jail sentence for espionage and treason on Sunday, he will have at least one reason for satisfaction. For the secrets the former Israeli nuclear technician leaked to the Sunday Times in 1986 and the publicity surrounding his subsequent kidnapping and trial have severely dented the Israeli Government's public posture over its alleged nuclear weapons capabilities.

Ever since speculation about the existence of an Israeli "bomb in the basement" began, the Government has wheeled out the pat answer provided by Mr Yitzhak Rabin, now the country's Defence Minister, in 1974: "Israel will not be the first country to introduce nuclear weapons into the Middle East."

Most observers take this statement to be as good as meaningless, since it is widely believed that the US and Soviet Union made the first such move in the region by carrying nuclear warheads on their ships in the Mediterranean.

But the statement at least had the merit of calculated ambiguity, serving in itself as a deterrent and a device to keep Israel's Arab enemies – some of whom are themselves thought to be trying to develop nuclear capabilities – off balance.

It allowed Israel to maintain its emphasis on conventional defence, but left neighbouring states in no doubt that if nuclear weapons were in the region already, Israel could not afford to be far behind.

Just as important, it has helped to keep international advocates of nuclear non-proliferation – and especially Israel's ally, the US – from asking too many awkward questions. Israel has consistently refused to have anything to do with the Non-Proliferation Treaty; does not belong to the Committee on Disarmament in Geneva, the main forum for discussions on a comprehensive test-ban treaty; and has long been reluctant to open its nuclear establishments to international inspection.

Mr Vanunu's revelations went some way to disturb this balancing act. They were the first detailed public disclosures to come from inside Dimona, the secretive nuclear research establishment in the Negev desert where he worked for 10 years.

He told the Sunday Times of a nearby underground factory which had for 20 years been producing components for the manufacture of nuclear arms at Dimona. On the basis of his evidence, independent nuclear scientists reckoned at the time that Israel might have assembled anything between 100 and 200 weapons of varying destructive power.

There are questions today about some of Mr Vanunu's technical details, and the number of weapons is now thought by most experts to be closer to 50. But the gist of his disclosures – the existence of a sizeable Israeli nuclear deterrent – has never been in doubt.

Last October, a United Nations report quoted several factors that "conveyed the strong impression that Israel does have the capacity to produce nuclear weapons."

Israel's interest in things nuclear dates back to the founding of the state in 1948. But the development of a military nuclear option probably began in earnest in the mid-1950s with the decision to build a large reactor without international safeguards at Dimona.

The 25MW thermal research reactor – fuelled with natural uranium and moderated and cooled by heavy water – was supplied by France, which probably bears more responsibility than any other country for allowing the creation of an unregulated nuclear capacity in Israel.

According to the memoirs of French President Charles de Gaulle, who signed the deal in 1956, the plant came with "an installation to transform uranium into plutonium . . . from which, one day, atomic bombs might be produced."

The heavy water – 21 tonnes of it – came from Norway in the 1960s and 1970s, and is still a subject of controversy between the Norwegians and the Israelis. Uranium could be picked up from the spot market, and quite probably from South Africa, with which Israel has conducted extensive military co-operation.

With those ingredients – and heaps of Israeli expertise – in place, producing a bomb would have been a relatively simple matter. Delivery systems, in the form of surface-to-surface missiles or aircraft, were no problem either. Last July, for example, Israel is reported to have tested an upgraded version of its nuclear-capable intermediate-range Jericho 2 missile, which experts say could reach the Soviet Union.

When it comes to actual nuclear tests, the picture is less clear. UN experts and other authorities are dubious about suggestions that a device has already been tested. But they say it would be theoretically possible for Israel to have developed methods such as computer simulations to ensure that its bomb would work.

It is easy to see why Israel thought it needed to develop the bomb, encircled as it feels itself to be by hostile neighbours. Some of these – Iraq, say, and Libya, not to mention Pakistan – are themselves believed to have nuclear ambitions. Israeli public opinion solidly backs maintaining a deterrent, insofar as the issue is discussed at all, which is what made Mr Vanunu such an intriguing maverick.

But many independent observers find the existence of nuclear weapons in as volatile a region as the Middle East deeply disturbing. There is also widespread concern, albeit never officially expressed where it counts – in Washington – that the international community has no "handle" on the Israeli bomb through the usual safeguards or inspection procedures.

To remedy this problem, some respected experts suggest bringing the Israeli deterrent into the open in order to minimise its destabilising potential; or negotiating a freeze in its development. In 1980, the Israelis themselves proposed negotiations on a nuclear-free zone in the Middle East, though since this entailed Arabs holding face-to-face talks with Israel it never stood a chance.

In Israel itself, some influential voices have called in the past for the development of a declared nuclear strategy. But while the Jewish state maintains overwhelming conventional superiority and while other states in the region have not gone openly nuclear, its purposes seem more likely to be served by keeping the bomb where it is: in the basement.

Cordovez in last-ditch attempt to save Afghan discussions

By Robin Pauley, Asia Editor, in Geneva

MR DIEGO CORDOVEZ, the UN mediator in the Afghan peace talks in Geneva, made a last-ditch attempt to rescue the negotiations yesterday.

He asked the US and Soviet Union to send senior representatives authorised to try to reach agreement on outstanding issues. In a meeting in Washington earlier this week, Mr George Shultz, US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, failed to break the deadlock.

If the superpowers refuse, Mr Cordovez will abandon the talks today, although he is likely to try to delay a public announcement until next week.

The Geneva talks have so far involved Pakistan and Afghanistan. They have been stalled on a small number of issues outside the scope of the four proposed withdrawal accords.

The main gulf concerns a US refusal to act as guarantor to any agreement unless the ending of its aid to the Afghan resistance Mujahideen is accompanied by a "symmetrical cessation" of Soviet military aid to Kabul.

This refusal left Mr Cordovez and the Geneva delegations on the sidelines pending the meeting between Mr Shultz and Mr Shevardnadze.

The US modified its demand for an end to Moscow's military aid to Kabul, instead calling for a one-year cessation to begin at the start of the agreed nine-month phased pull-out.

Speaking on Wednesday in Washington, Mr Shultz insisted that such conditions on military aid were necessary if the US was to join the Soviet Union as a guarantor by signing one of the four Geneva withdrawal protocols.

Moscow is adamant that the US demand, apart from reneging on a previous private understanding, is an unacceptable attempt to intervene in relations between two sovereign states.

Mr Shevardnadze again raised the possibility of a partial Soviet withdrawal in the absence of an agreement at Geneva.

However, Mr Shultz and Mr Shevardnadze may find a compromise during their two planned meetings before the Gorbachev-Reagan Summit at the end of May. But the US is under strong bipartisan pressure from Congress to stand firm so as not to leave the Mujahideen at a disadvantage.

Elsewhere, only two words - "internationally recognised" - in one of the four withdrawal protocols remain in dispute. This is because the Afghans object to the border between Afghanistan and Pakistan, the Durand Line, being referred to as an internationally recognised border.

Mr Cordovez could try to keep the sides discussing the border terminology so he could claim to have four perfected, albeit unsigned and therefore useless, accords. The Afghans may be unwilling to oblige. They seem relaxed about the prospects of a breakdown as it would reduce the chances of a full Soviet pull-out and increase the Kabul regime's chances of survival.

THE LEX COLUMN

The wrong mood for rights

The market's near 50-point collapse yesterday is a puzzle, but not necessarily a disaster. In purely domestic terms, the market had been ploughing to a halt throughout the week, and the last thing it wanted was a series of rights issues culminating with Lucas. On a wider front, London seems correctly to have anticipated the downturn on Wall Street, which was itself an overdue reaction to a half-point rise in bond yields. These in turn had clearly been too low; for besides rising oil and commodity prices, which Japanese investor would settle for a return of 3 per cent in real terms in the US when 5 per cent is on offer in Europe?

There was irony in the fact that London, which for a fortnight and more has been mesmerised by sterling, took not the slightest notice yesterday when it dropped below DM3.10. But yesterday was classically a day for fund managers to keep their heads down; not only had the FT-SE gone back through 1800 – and in such markets, round numbers have a superstitious power – but no-one goes home long of stock when Wall Street is down 40 points and may be en route to heaven knows where.

The ultra-superstitious are muttering that the second leg of the 1929 crash started on the 155th day, and the 155th day from the October crash is today. Apart from the comforting reflection that the past is a lousy guide to the future, the market is likely to end the week in a state of real uncertainty. A three week account with a long holiday in the middle is not, after all, the best time for taking risks.

Lucas Industries

Lucas deserves a bravery award for testing the market with the first big rights issue since the October crash. A year ago it would have scarcely rated a mention, but its £163m cash call is a very hefty figure by today's standards; and despite its recent recovery, Lucas is not the sort of glamorous name which demands immediate respect. It has spent almost all of the money it raised from its previous substantial rights issue – little more than two years ago – on rebalancing its business, and is now returning for more cash to pay for a series of unspecified acquisitions at a time when most of its major markets are slowing down. Coming a day after Tootal's £54m issue, there must be a suspicion that a number of other grand old names of British industry are queuing up for money.

Given the fragile state of confidence, it would have been preferable if Lucas's cash call had coincided with a sizeable acquisition. Then at least it would have been possible to assess the wisdom of the strategy, rather than having to entrust so much money to a management team which has still to prove that it can transform Lucas into a world class company. All of the one third rise in interim pre-tax profits, to £53m, can be explained by the impact of loss elimination and acquisitions, and, given the relatively low multiple of around 8 times this year's earnings, it is hard to see how the company can avoid diluting next year's earnings if it makes a major US acquisition.

Smith & Nephew

A company which has given shareholders what they expect quarter in, quarter out for nearly a decade, disappoints at its peril. While a 24 per cent increase in full year pre-tax profits to £110m seems a blameless enough performance, the market was thunderstruck that Smith & Nephew's figures were not £3m higher, and instantly deemed the company to be worth some £135m less than before. It seems investors have decided that Smith & Nephew can no longer be depended on, and therefore does not deserve its superior rating.

Such a judgement would seem a little hasty. The company has produced a full catalogue of causes for the shortfall, half of which were one off and the rest beyond its control. Even though it is never comforting to hear so many explanations, the extra costs of merging two factories, difficulties at its Canadian plastics business and one or two problems with the otherwise successful Richards acquisition all seem like genuine temporary disturbances.

More serious is what the squeeze on the NHS is doing to hospitals, where demand fell sharply in the fourth quarter and is showing no signs of recovery. And while the company protected itself well in 1987 from the power of the pound through careful hedging, exchange rates will hurt more this year. In all, earnings growth over the next year or two may be slightly closer to 15 than the 20 per cent of recent years, but given what is happening to earnings overall, that scarcely sounds like a horror story.

Guinness

The first full year figures from Guinness under its new management are clearly encouraging. The profit improvement is meagre, but it is remarkable that it should be there at all; it was a year not only of management upheaval, but of restructuring in the distilling business which was disruptive in itself. The fact that 75 per cent of sales now go through Guinness-controlled distribution, compared with 25 per cent a year ago, is only one example of the added value being created on the distilling side; and there are plans this year to extend production and distribution on the brewing side through swaps and joint ventures.

From now on, the pressure is on Guinness to perform in profit terms as well. A pre-tax figure of £475m this year would translate into a p/e of 9 at 304p, so the market is putting below-average value on expected above-average growth. A more generous reaction was not to be expected on the day on which Mr Parnes was flying in from California, but it also illustrates a more fundamental division of opinion.

No-one doubts that several years of profit growth are to be had simply by freeing Distillers from its past; what is less clear is what happens then. Pessimists say Guinness runs up against the total lack of growth in the world whisky market. Optimists say the old Distillers management was so profoundly incompetent that the market's scope for growth is an unknown quantity. But if there are more scandalous titbits to come, the optimists might treat these as opportunities to pick up shares more cheaply again.

UK strives to clarify policy on £

By Philip Stephens, Economics Correspondent in London

BRITISH Government and Bank of England will today seek to clarify official policy towards the pound after the damaging row earlier this month between Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor of the Exchequer.

Mrs Thatcher and Mr Lawson are to meet Mr Robin Leigh-Pemberton, Governor of the Bank of England, to agree a common line on the issue ahead of hearings next week by an influential parliamentary committee.

Mr Leigh-Pemberton is due to appear before the all-party Treasury and Civil Service Committee on Monday and Mr Lawson will give evidence on Wednesday.

Members of Parliament made clear when questioning Treasury officials earlier this week that differences between Mrs Thatcher and Mr Lawson on exchange rate policy will be a key element in their post-Budget report on the economy.

Government officials yesterday sought to play down the significance of today's meeting.

It was privately acknowledged, however, that the Government will be under strong pressure next week to give a clear and unequivocal statement of official policy.

UK to widen N Sea oil search

BY STEVEN BUTLER IN LONDON

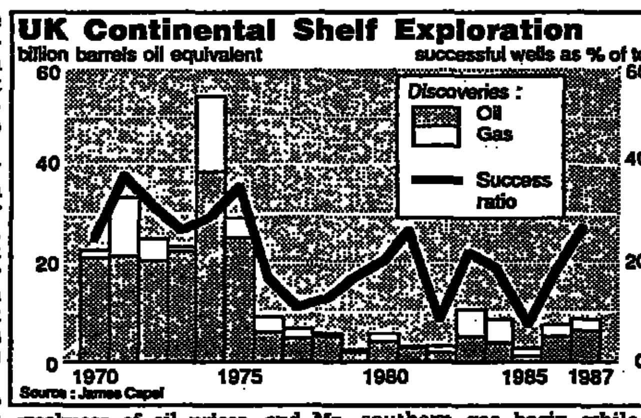
BRITAIN yesterday raised the curtain on an 11th round of offshore licensing for oil exploration blocks and promised a 50 per cent increase in licence areas compared to the previous round two years ago.

Mr Cecil Parkinson, Energy Secretary, named 55 quadrants in a range of mature and frontier regions of the UK continental shelf from which he would select about 200 blocks to put up for licence after consultations with the oil industry. Each quadrant of Britain's continental shelf is divided into as many as 30 blocks.

Specific blocks are expected to be named in June or July, at which time formal applications will be solicited. A final selection of licensees is expected by early summer.

Mr Parkinson said the increased size of the offering was a response to intense interest by the oil industry in obtaining new exploration acreage in offshore UK areas. This follows a string of recent large discoveries in the North Sea.

"This round owes much more to the fact that there is real demand for it in the industry," he said. "Although oil prices are low, the confidence of the industry is very high." The Department of Energy has not yet ruled out the possibility of implementing an auction system for allocating licences, as has been tried in the past. This was abandoned in the 10th round because of the weakness of oil prices, and Mr Parkinson said that a similar price environment prevailed today. The auction system also gives the Department less discretionary authority in the award of licences.



Source: James Capel

Mr Parkinson reaffirmed the Government's policy of seeking rapid development and exploitation of the North Sea, and said Britain would not join in efforts to restrain production in order to support oil prices. A number of oil-producing nations which are not members of the Organisation of Petroleum Exporting Countries have recently been meeting to discuss ways of stabilising oil prices.

Mr Parkinson also acknowledged oil industry complaints about tax changes announced in last week's Budget, in which royalties were eliminated in the southern gas basin while the scale of allowances against the Petroleum Revenue Tax was sharply reduced for developments gaining approval after 1982. The measures have the effect of increasing taxes

Oil industry analysts yesterday said they could not fully ascertain the quality of what would be on offer until specific blocks were named. None the less, a number of extremely attractive areas were indicated, including quadrants in the central North Sea where large finds have recently been made.

Other areas include the well-explored northern and southern North Sea areas, the Faroes and Orkney/Shetland area, the Hebridean Platform, Moray Firth, Forth Approaches, the English Channel, the Cardigan Bay Basin and the Irish Sea/Manx Basin.

US seeks talks as Gatt rejects pact with Japan

Continued from Page 1

tions on two specific types of Japanese microchips, and users who complained that many of their microchip imports have grown too costly in the past two years.

US officials argue that Japanese price monitoring has stopped local chip makers dumping in Europe and that without the system, European chip makers would become vulnerable.

Such arguments are, however, largely academic under current market conditions. A severe worldwide shortage of memory chips has driven up prices in both the US and Europe. Many computer and electronics firms would welcome Japanese Drams at virtually any price.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	19	66	Dubrovnik	S	15	59	Malta	S	19	66	Rhodes	F	17	63
Algiers	S	21	70	Edinburgh	R	7	45	Manchester	R	8	46	Rio de Jo	F	33	91
Amsterdam	R	8	46	Faro	S	21	70	Manila	F	35	95	Rome	S	17	63
Athens	S	18	64	Florence	S	17	63	Melbourne	S	24	75	Salzburg	C	5	41
Bahrain	S	22	72	Frankfurt	R	7	45	Mexico City	C	26	79	San Francisco	C	18	64
Bangkok	F	32	90	Funchal	C	18	64	Miami	C	23	73	Seoul	F	10	50
Barcelona	S	16	61	Geneva	C	8	46	Milan	S	17	63	Singapore	R	28	82
Beirut	F	19	66	Gibraltar	S	19	66	Montreal	C	7	45	Stockholm	C	1	34
Belfast	S	6	43	Glasgow	R	7	45	Moscow	S	6	41	Strasbourg	R	9	48
Belgrade	S	14	57	Guernsey	F	10	50	Munich	C	6	43	Sydney	C	21	70
Berlin	C	9	48	Helsinki	S	1	34	Nairobi	R	15	59	Taipei	C	18	64
Biarritz	C	13	55	H. Kong	C	19	66	Naples	F	16	61	Tangier	-	-	-
Bombay	S	29	84	Innsbruck	F	10	50	Nassau	C	26	78	Tel Aviv	S	22	72
Bordeaux	R	12	54	Inverness	F	8	46	New Delhi	S	32	90	Tenerife	F	20	68
Brussels	C	9	48	Islamabad	C	26	79	New York	F	9	48	Tokyo	S	13	55
Budapest	F	12	54	Istanbul	F	17	63	Nice	S	16	61	Toronto	C	19	66
B. Aires	R	24	75	Jakarta	R	33	91	Nicosia	F	20	68	Tunis	S	20	68
Cairo	S	26	79	Jersey	F	11	52	Oporto	S	14	57	Valencia	S	25	77
Cape Town	S	24	75	Jo'burg	S	24	75	Oslo	C	3	37	Venice	S	14	57
Caracas	C	28	82	Lima	F	25	77	Paris	R	11	52	Vienna	F	10	50
Casablanca	S	18	64	Lisbon	S	16	61	Peking	S	5	41	Warsaw	F	5	41
Chicago	R	20	68	London	F	13	55	Prague	R	6	43	Washington	-	-	-
Cologne	C	8	46	Los Angeles	F	22	71	Reykjavik	S	5	41	Zurich	C	6	43
Copenhagen	C	3	37	Luxembourg	R	7	45								
Corfu	F	16	61	Madrid	S	18	64								
Dallas	-	-	-	Majorca	S	21	70								
Dublin	F	6	43	Malaga	S	20	68								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Parnes back in UK to 'clear his name'

Continued from Page 1

the full knowledge of the Department of Trade & Industry who knew he was going to the US.

"He had co-operated with the DTI inspectors and did not know he was to be charged with criminal offences.

"Before his arrest in the USA he was given no opportunity to surrender himself to police.

"Mr Parnes has remained in custody for the last six months. He has protested his innocence throughout and has awaited the opportunity to demonstrate that he is not a fugitive and to be allowed to rejoin his family in the US.

"He intends to fight to clear his name and hopes that ill-informed and prejudicial press speculation will now cease."

Mr Parnes was granted bail on two sureties of £250,000, provided by Mr Keith Friedman, a company director, and Mr Leslie Ratner, a retired company chairman and president of Ratner, the worldwide jewelry company.

Mr Parnes' co-accused are Mr Ernest Saunders, former Guinness chairman, Mr Gerald Ronson, head of the Heron group, Sir Jack Lyons, the millionaire financier, Mr Roger Seelig, the former Morgan Grenfell corporate finance director, and Lord Spens, former head of corporate finance at the Henry Ansbacher merchant bank.

A warrant has been issued for the arrest of Mr Tom Ward, a US attorney and former Guinness director, whose extradition from the US is expected to be sought shortly.

The charges, Page 9

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday March 25 1988

London sets April date for Financial Services Act

BY CLIVE WOLMAN IN LONDON

THE UK GOVERNMENT yesterday set the date for the implementation of the Financial Services Act as April 29, the last possible working day before the deadline the Government set last August.

That day, the culmination of seven years of consultation and preparation, will mark the introduction of the UK's first comprehensive system of investor protection.

The new regime covers all investment activities from buying life assurance to dealing in shares and commodity futures contracts.

In particular, from April 29, it will become a criminal offence for a firm to carry out investment business without authorisation from a self-regulating organisation (SRO).

However, the earlier slippages in the timetable for implementing the Act, which is now nearly two years behind original schedule, means that an estimated 4,000 to 5,000 firms will remain without authorisation on April 29.

According to the Securities and Investments Board, the regulatory overseer, all but 500 of these firms, have applied for membership of Fimbra, the SRO which regulates insurance brokers and smaller investment advisers.

Firms who have already submitted applications will be granted interim authorisation and allowed to continue operating as investment businesses, at least until their application is rejected and the lengthy appeals procedure exhausted.

The Securities Association, the largest SRO in terms of the value of investment transactions within its remit, says that it expects to complete the processing of all its 990 applications by the end of April.

The only exceptions, it says, will be firms facing rejection and firms whose computer systems are not yet in full working order.

By contrast, another SRO, the Investment Management Regulatory Organisation (Imro) said earlier this month that it does not expect to complete processing applications until September.

The SIB is expected today to release fuller details of the transitional regulatory regime for those firms with interim authorisation.

Paloma Industries buys Rheem

BY JAMES BUCHAN IN NEW YORK

PALOMA Industries, a Japanese maker of gas appliances, seems poised to become the world's leading manufacturer of water heaters, after a deal yesterday to buy Rheem Manufacturing of New York.

The purchase, for an undisclosed sum, follows repeated attempts to find a buyer for Rheem, which specialises in central air conditioners, warm air furnaces and water heaters. It is a US market leader in some of its businesses.

The deal will give Paloma control of a business with revenues of around $800m and access to the US market for its water-heating products. Rheem has 20 factories in the US, Canada and Puerto Rico.

Rheem was acquired as part of the diversified PACE group in December 1984, by Kohlberg Kravis Roberts, the New York investment firm which specialises in leveraged buy-outs, and by Merrill Capital Markets.

Other PACE businesses were sold, but an agreement to sell Rheem to MLX of Troy, Michigan for $825m collapsed last autumn when the stock market crashed.

Mr Toshiro Kobayashi, president of the Nagoya-based Paloma, said: "Rheem is a well-managed company that has long been recognized for the quality and reliability of its products.

"We intend to fully support Rheem's management in maintaining and enhancing this reputation in the future," he said.

Pepperell revives bid battle for Stevens

BY OUR NEW YORK STAFF

WEST POINT-PEPPERELL, the US textile manufacturer, yesterday returned to the battle for control of J.P. Stevens, one of its main competitors, by offering stockholders of $62.50 a share, valuing Stevens at $1.11bn.

The Georgia-based group, whose informal approach of $62.50 a share was rejected by Stevens 10 days ago, increased pressure on the directors by promising to raise its offer to $64 a share

Stevens has already agreed to sell its business for $61.50 a share to Odyssey Partners, a private New York investment firm.

In a letter to New York-based Stevens, Pepperell's chairman, Mr Joseph Lanier, said the $64-a-share offer was worth about $45m more than the offer from Odyssey Partners.

He threatened legal action if Stevens did not produce confidential information given Odyssey.

Repsol and Occidental in Colombia oil venture

By Tom Burns in Madrid

REPSOL, the Spanish state-owned energy group which is to be partially privatised later this year, has significantly improved its upstream position with a breakthrough $272m deal with Occidental Petroleum of the US.

Repsol said yesterday that Repsol Exploracion, its exploration division, had acquired a 25 per cent equity interest in Repsol Occidental, a new US registered company created for the joint exploitation of the US company's assets in Colombia.

The deal gives the Spanish group access to the Canyo Limon and Redondo fields in northern Colombia. It is the first joint venture by the Spanish group with an energy giant.

The move gives Repsol a 6.25 per cent share in the two north Colombian fields, which are being exploited by Ecopetrol, the national Colombian company.

Ecopetrol has a 50 per cent stake, Shell has 25 per cent and Occidental's 25 per cent is now to be shared with the Spanish company.

Access to the important Canyo Limon and Redondo fields, which produce 215,000 barrels a day and are rated as among the most important discoveries of this decade, raises Repsol's reserves to 500m barrels of crude, a 30 per cent increase on last year's figure.

Mr Oscar Fanjul, Repsol's chairman, said yesterday that the venture with Occidental was a key element in the overall strategy of building up the Spanish group to take its place among the leading European energy corporations. Repsol has traditionally been weakest upstream.

The group has undergone a drastic restructuring over the past three years that has included the adoption of the Repsol trademark last year in place of its former title of Instituto Nacional Dehidrocarburos (INH).

It posted 1987 pre-tax profits of Pta57.4bn ($500m).

WPP faces libel suit

BY RODERICK ORAM IN NEW YORK AND NIKKI TAIT IN LONDON

Mr Martin Sorrell:Engineered takeover of J.W. Thompson

FORMER EXECUTIVES of Lord, Geller, Federico and Einstein plan to bring a libel suit against WPP, the British marketing services group, for its accusations that they tried to sabotage the New York advertising agency before they left last weekend to form their own firm.

Mr Thomas Schwarz, the lawyer representing the new agency of Lord, Einstein, O'Neill and Partners, said: "These charges are without merit and they are scurrilous. We will be filing libel charges in the next 10 days."

After several days of colourful quotes to New York media about their new venture – "We like to look at this as the new Lord, Geller," one said of the new agency – the defectors turned silent yesterday, referring all calls to their lawyers as the fight with WPP became increasingly acrimonious and litigious.

Mr Martin Sorrell, the chairman of WPP who engineered its ambitious takeover last summer of the J.W. Thompson advertising empire, said he had found a memo. Undated and addressed to the executive committee of Lord Geller it is alleged to detail a buyout plan whereby LGFE executives would pay $22m for 55 per cent of LGFE and alternative courses if this proposal was turned down.

The memo considers one option, which would be a deliberate "general slowdown programme throughout the operation." It appeared to be initialled by Mr Ed Yaconetti, the former vice-chairman of the agency, Mr Sorrell added.

"These people worked up to the end, even last weekend," said Mr Thomas, the defectors' lawyer. "They were very aware of their obligations."

WPP is seeking an injunction against Lord Einstein barring it from soliciting Lord Geller's clients or employees. Some 30 of Geller's 330 employees have already switched agencies.

Many of them are senior creative and account personnel, raising the possibility that Lord Geller, which handles some of WPP's biggest clients, could be severely impaired.

"They left because it became impossible for them to operate under WPP's management because they no longer had the autonomy" on which the agency had been built, Mr Schwarz said. "We have the 13th amendment here in the US against involuntary servitude. People don't have to work for anyone they won't want to," he added.

"They didn't solicit clients or employees up until they left. If the memo was written by (one of the defectors) none of those things WPP is complaining about, like the slowdown, happened."

Mr Sorrell said yesterday that the memo was discovered on Tuesday morning.

Apparently discussing various alternative options to a buyout at one stage, it reads: "Opinion 3: If WPP were to reject the above proposition . . . two probable scenarios could appear: Scenario 1: We choose to slow down the reporting process and execute a general slow-down programme throughout our operation . . . Explanation to WPP: a. we're doing the best we can under the circumstances . . . b. the problem is getting worse and we see no way to improve it over time.

"Scenario 2. On a worst case basis . . . Martin finally says uncle and we end up with a much improved package of goodies."

Another page, under the sideheading "recommendations," reads "perhaps our best bet is to agree that we take the next 12 months to examine our options . . . and in net . . . delay until 1/1/89 all substantive action in the LGFE . . WPP relationship. It is the opinion of this author . . . that while this recommendation may not satisfy all members of the executive committee . . . it will no doubt "drive Martin bullshit . . . and have the postive effect of buying us time to figure out what our true long-term options are."

Yesterday in New York Mr Sorrell added that other "pieces of information" had also come to light at the agency in the past couple of days, but declined to specify their nature.

Lord Geller was acquired by WPP through its ambitious $560m bid for JWT Group in July. In financial terms, Lord, Geller is a relatively small part of JWT – dwarfed by its larger sister agency J. Walter Thompson. Billings are estimated at around $200m and revenues at $30m – out of total JWT revenues of $700m in 1987.

However, the agency is highly regarded for its creativity and the defections are seen as a test of WPP's post-bid strategy.

The British company believes it is possible to enhance returns at JWT through tighter financial controls. However, there has been much speculation that – in a "people business" this could drive clients and employees through the door.

In a spirited damage limitation exercise, WPP has already filed a legal action against the new agency formed by the former LGFE executives, against 12 former LGFE employees and against the privately owned agency Young & Rubicam, which has a financial interest in the new agency.

WPP's complaint alleges breaches of fiduciary responsibility and duty of loyalty by the six executives who left on Friday.

Among its complaints on this score it alleges that the executives discussed the financing for a potential leveraged buyout of Lord Geller with Dean Witter Reynolds, the New York investment bank and the fourth largest client of LGFE. WPP claims that they thereby disclosed to a client that key executives were seeking to leave Lord Geller.

Coleco creditors may reject plan

BY OUR NEW YORK STAFF

COLECO, the US toymaker which went from rags to riches and back again during the short-lived mania for its Cabbage Patch Kids, is seeking to avert the threat of bankruptcy by buying out its high-interest debt at a fraction of its face value.

But there are signs that creditors holding junk bonds with a face value of $343.7m will reject the offer and even seek to recoup their money by liquidating the once wildly profitable company.

Coleco said it was inviting bondholders to convert their junk bonds into new junk bonds and stock at rates less than 34 cents on the dollar.

SmithKline launches counterbid

BY OUR NEW YORK STAFF

SMITHKLINE BECKMAN, a leading US pharmaceuticals group, has made a counterbid of $32 a share for International Clinical Laboratories.

International Clinical agreed two weeks ago to a $26 a share, $260m offer from Corning Glass Works which, like SmithKline, wants to expand its network of laboratories by the acquisition of the Tennessee-based group.

Corning said it would comment on the higher offer once it had a chance to study it. Its agreement allowed it to buy 3m unissued International Clinical shares, about 23 per cent of the company's equity after conversion of debentures.

OTTOMAN BANK

NOTICE IS HEREBY GIVEN that, in accordance with Article 29 of the Statutes, the ANNUAL GENERAL MEETING of Shareholders will be held on WEDNESDAY, the 27th APRIL 1988, in the BEAUFORT ROOM, THE SAVOY HOTEL, STRAND, LONDON WC2R OEW at 11.30 am to receive a Report from the Committee with the Accounts for the year ended 31st December 1987; to propose a Dividend; to elect definitively a Member of the Committee in accordance with Article 16 of the Statutes; and to elect Members of the Committee.

By Article 27 of the Statutes the General Meeting is composed of holders, whether in person or by proxy or both together, of at least thirty shares, who, to be entitled to take part in the Meeting, must deposit their shares and, as may be necessary, their proxies at the Head Office of the Company in Istanbul or at any of the branches, or in London at King William House, 2A Eastcheap, London EC3M 1AA or in Paris at 7 rue Meyerbeer, 75009, at least ten days before the date fixed for the Meeting.

The Report of the Committee and the Accounts which will be presented to the General Meeting are available to the Shareholders at the Head Office in Istanbul and at the offices in London and Paris.

T R STEPHENS
Secretary to the Committee

Notice of Redemption

American International Group, Inc.

U.S. $100,000,000
10⅝% Notes Due 1990

NOTICE IS HEREBY GIVEN that in accordance with Condition 6(a) of the Notes, the Company will redeem all of the Notes at their principal amount on the next interest payment date, 30th April, 1988, when interest on the Notes will cease to accrue.
Repayment of principal will be made upon presentation and surrender of the Notes, with all unmatured coupons attached, at the offices of any of the Paying Agents listed below.

Banque Indosuez Belgique S.A.
rue des Colonies 40
B-1000 Brussels

Bankers Trust GmbH
P.O. Box 2665
Bockenheimer Landstrasse 39
6000 Frankfurt am Main

Banque Indosuez Luxembourg
39 Allee Scheffer
Luxembourg L-2520

Bankers Trust Company
Dashwood House
69 Old Broad Street
London EC2P 2EE

Bankers Trust Company
12-14 Rond-Point
des Champs Elysées
75386 Paris, Cedex 08

Swiss Bank Corporation
1 Aeschenvorstadt
CH-4002 Basle

In accordance with Condition 4 of the Notes, the Notes will be payable on the Business Day, (as defined therein) following 30th April, 1988, at any one of the Paying Agents listed above.
Accrued interest due 30th April, 1988 will be paid in the normal manner on or after that date against presentation of coupon No. 3.

Bankers Trust Company, New York — Fiscal Agent
25th March, 1988

SCOTLAND INTERNATIONAL FINANCE B.V.

US$100,000,000

Guaranteed Floating Rate Notes 1992
For the six months from 25th March 1988 to 25th September 1988 inclusive the Notes will carry an interest rate of 7¼% per annum.

The relevant interest payment date will be 26th September 1988.

Coupon 14 will be for US$186.28

Agent Bank
Barclays Bank PLC
Stock Exchange Services Department
54 Lombard Street
London EC3P 3AH

David Dodwell on the American appointed to run the Princely Hong

Jardine takes Powers as Taipan

THERE ARE likely to be some buccaneering Jardine family bones turning in their graves today as Mr Brian Powers – a New York merchant banker with just two years experience of Jardine Matheson and Asia – assumes the mantle of Taipan, or "big boss," of a family-controlled group that for most of the past 140 years has been reverently known as Hong Kong's "Princely Hong."

As Jardine announces annual results this afternoon, Mr Simon Keswick, the group's chairman for the past five years, will reveal that he is returning to London, and passing executive responsibility for the group into Mr Powers' hands.

He would probably claim that he has not quite done the unthinkable, since the new American Taipan will be denied the title of chairman. That will return with Mr Keswick to London – albeit as non-executive chairman.

Mr Powers makes light of the apparent heresy of handing executive control over to an American: "I know that will be the storyline, but my own feeling is it's irrelevant."

So too, he says, is the fact that he will not be made chairman: "Simon may remain chairman but the fact that he is non-executive makes a big difference. We work very well together, so there is very little concern about turf."

Trickier, in Mr Powers' view, is the fact that he has worked inside Jardine Matheson for just two years and had never worked outside the US until joining this group that started life in Hong Kong as an opium trader and has been linked with the Keswick family name since 1855.

This has so far not daunted him, however. Nor is his elevation likely to result in any noticeable shifts in corporate policy, since Mr Powers is widely regarded as having masterminded most of the corporate surgery in Jardine that over the past two years has brought the group from the brink of bankruptcy back to corporate health.

Even before he joined Jardine, his impact on the group was being felt. As a member of the "boutique" New York merchant banking house, James Wolfensohn, he disposed of the group's sugar plantations in Hawaii, arranged the acquisition of its initial Pizza Hut franchises, and consolidated Jardine's US insurance broking interests, with the purchase of Emmett and Chandler, the California-based insurance broking group.

"As much as I loved Wolfensohn and merchant banking, I have never looked back," Mr Powers insists – "except perhaps for 10 minutes a year when I think about how much more money I would be earning in New York.

"I don't quite know what it was that persuaded me to accept an offer from Jardine – except that Hong Kong was such a wonderful place to live and work and that Jardine was clearly at the crossroads."

Since he joined Jardine, the changes wrought have been all-pervading. A strangling interlocking share relationship with Hongkong Land has been untangled and a new corporate structure created that puts Jardine firmly in control of its subsidiaries and free from the threat of takeover for the first time in half a decade.

Hongkong Land, which once challenged Jardine for control of a sprawling conglomerate, has been stripped down to become purely a property company. One-time subsidiaries of Hongkong Land like the Mandarin Oriental Hotels Group and the Dairy Farm

Brian Powers: formidable corporate doctor

retailing group, have been hived off to become powerful companies in their own right.

Group debts that three years ago looked destined to pass HK$25bn (US$3.2bn) have been eradicated, without the need to dispose of any core assets.

Having proven himself as a formidable corporate doctor, Mr Powers is now likely to have to prove himself afresh as a Taipan able to grow healthy companies. Since he inherits a corporate tradition of highly devolved executive decision making, more may therefore depend on his rapport with the people heading the various Jardine subsidiary operations than on any initiatives from Mr Powers himself.

One of his earliest commitments as new Taipan appears to be to scotch constant rumours that Jardine is poised to sell its stake in Hongkong Land: "I would be lying if I denied we have had a number of serious approaches," he comments, "but in the final analysis we are simply not sellers.

"Hongkong Land has the best physical property assets in all of Hong Kong and you really can't duplicate them. To sell would involve a huge strategic withdrawal – and whatever people outside the group might say, Hong Kong is our home and will stay that way.

"To get cash back into quality assets in Hong Kong would have been virtually impossible – because none of the big groups are willing to sell anything. We would have no choice but to switch out of Hong Kong, and what the hell would we do with the money? Pay huge premiums for businesses in the US?

"The fact is that none of our businesses is for sale – and that means at virtually any price."

By contrast, one component in the group that will almost certainly be for sale in due course is Mr Powers himself.

He may today breeze through the wood-panelled corridors of the 48th floor of Connaught Centre – headquarters of the Jardine group and shortly to be renamed Jardine House – with an air of long-standing familiarity, but few would accept he will stay with the group to the grave. In this respect, the contrast with Mr Keswick, and his brother Henry, who preceded him as chairman of the group in the mid-1970s, is total. They were born into Jardine and will die in it.

"I tend to lose interest in a job after three years," Mr Powers comments, "but if you were to push me today to say whether I will be here in six or 10 years, I would probably say it's quite likely."

Since no-one is likely to take bets beyond 10 years and since Mr Powers is today just 38, it is open to question whether a photograph of his American face will ever come to join those of former Jardine chairmen arrayed in a "rogue's gallery" on the Connaught Centre's 48th floor. That will no doubt be something to muse on as he passes the gallery every day.

Pioneer Concrete interim earnings at record A$78m

BY CHRIS SHERWELL IN SYDNEY

PIONEER CONCRETE Services, the Australian building materials and resources group, yesterday announced a 23 per cent increase in net profit for the six months to December to a record A$78.3m (US$58.1m).

Including equity-accounted profits but after minority interests, the figure was A$81.1m, up by 27.8 per cent. Sales revenues were 17 per cent higher at A$1.8bn.

Sir Tristan Antico, Pioneer Concrete's chairman and managing director, said the group would achieve record earnings for the full year, when it would also include the results of Giant Resources, in which it acquired a stake of 41 per cent late last year.

The group is undergoing a big restructuring under which minerals exploration and production will be amalgamated under Giant while petroleum exploration and production will come under Ampol Exploration.

In its core businesses, the group will operate two building products divisions and own between 90 and 100 per cent of Ampol Ltd, the petroleum refiner and retailer, in which it has a 88 per cent stake and is bidding for the minority.

The restructured group will also maintain separate investments in two other resource exploration companies, Noranda Pacific, which has interests in the Coronation Hill gold deposit with Broken Hill Proprietary, and Oil Search, which has oil interests in Papua New Guinea.

The continuing importance to Pioneer of Ampol and its building materials activities is shown by the fact that these earned 64 per cent of the group's half-year revenues and 42 per cent of its profits.

But this dependence is weakening as a result of the group's geographical diversification as well as its shift into resources: 31 per cent of revenues and 27 per cent of profits came from abroad, while five per cent of revenues and 19 per cent of profits came from minerals and energy.

In the US, where Pioneer Concrete recently bought 100 per cent of Davison Sand and Gravel in Pittsburgh, the group is now looking at three other takeover possibilities and is ready to spend A$400m, while in West Germany and Spain the group is hoping to expand its quarrying operations.

On the minerals front, Pioneer said yesterday it had increased its mineral sands sales by 24 per cent, with prices of all products increasing substantially, and had successfully commissioned its silicon smelter, a joint venture with Pechiney.

Regarding its uranium operations, it announced on Wednesday that it had secured an agreement in principle to explore for more uranium in the Nabarlek area of the Northern Territory, where it already has a mine and milling facility. Currently the mill is processing stockpiled uranium ore from the worked-out mine.

The group's results mean it maintained its earnings per share at 12.9 cents on an increased capital base following a one-for-five rights issue. The directors have declared a fully franked interim dividend of 6.25 Australian cents a share.

IMPALA PLATINUM HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)
Reg. No. 57/01979/06

TO THE SHAREHOLDERS OF IMPALA PLATINUM HOLDINGS LIMITED

Legal proceedings have been instituted in the Supreme Court of Bophuthatswana against Impala Platinum Limited (the company) by the Bafokeng Tribe who are the beneficial owners of part of the land on which the mining operations of the company are being conducted. The President, the Government and the Registrar General of Deeds of the Republic of Bophuthatswana are joined in the proceedings as co-respondents.

The action has arisen out of a dispute over demands by the Bafokeng Tribe that Impala Platinum Limited furnish certain information of a confidential nature relating to the company's mining operations which the Tribe claims it is entitled to receive in terms of a cession agreement between the company and the registered owner of the land who holds the land in trust for the Bafokeng Tribe. In terms of that agreement the right to conduct mining operations on the land was ceded to Impala Platinum Limited. Such records as the company may be obliged to maintain under the agreement are open for inspection by the registered owner or his duly authorised representative only. In 1977 upon the establishment of Bophuthatswana as an independent state the President of that country became the registered owner of the land in trust for the Bafokeng Tribe.

On the basis of the above and other considerations Impala Platinum Limited has refused the Tribe's demands. The Minister of Economic Affairs of Bophuthatswana has directed that the company should not furnish the information unless it is instructed to do so by the Trustee. The Bafokeng Tribe is disputing the authority of the President of Bophuthatswana in his capacity as Trustee and claims that the company's refusal to provide the information demanded constitutes a repudiation of the aforementioned agreement of cession.

The legal advisors of Impala Platinum Limited are confident that the proceedings against the company can be successfully opposed. Impala Platinum Limited and the co-respondents will defend the action.

S. P. ELLIS
Chairman

Johannesburg, 24 March 1988

Improvement at Swire Pacific

BY DAVID DODWELL IN HONG KONG

SWIRE PACIFIC, the Hong Kong group with interests spanning aviation, trading and property, yesterday reported profits after tax for 1987 of HK$2.4bn (US$308m) – a 34 per cent improvement on 1986.

The result, which reflects powerful growth by Cathay Pacific Airways, the group's aviation subsidiary, and a strong contribution from Swire Properties, fell slightly short of most market forecasts. These were revised sharply upwards early this week after Cathay Pacific reported a 70 per cent improvement in profits to HK$2.12bn.

Mr Michael Miles, Swire's outgoing chairman, said profits were affected by disappointing performances by two companies in its industries division. He said both of these companies – Swire Magnetics and Swire Technologies – expected better results this year.

The group's profit was generated on a turnover of HK$20.17bn – more than 21 per cent up on the HK$16.6bn of 1986. The board is recommending a final dividend of 43 cents for every "A" share. This would make a total for the year of 62 cents, up from 51.7 cents last year.

Kanhym results ahead at six months

BY JIM JONES IN JOHANNESBURG

KANHYM, The South African feedlot operator, increased penetration of the processed meat market in the six months to February 29 1988 and lifted turnover and profit.

Sales increased to R342m ($159m) from R249m, operating profits rose to R16.2m from R11.6m, and pre-tax profit was R11.1m against R6.6m. In the last full year, turnover totalled R420m, operating profit was R14.3m, and pre-tax profit R8.8m.

Feedlot margins improved but the directors say margins on fresh meat sales remain unrealistically low. The processed meat division increased sales and improved production efficiency.

Interim earnings were 8.7 cents a share against a deficit of 1.8 cents last year and earnings of 14 cents for the last full year.

Ordinary dividends have not been declared since 1982 and will resume only when arrears in preference dividends have been paid. Kanhym is controlled by Gencor, the mining house.

JEWEL II Limited
(Incorporated with limited liability in the Cayman Islands)
US$100,000,000 SECURED FLOATING RATE NOTES DUE 1992
Interest Rate 7.355 Interest Period March 25, 1988 to September 26, 1988. Interest Payable per US$100,000 Note US$3,779.65.
March 25, 1988
By Citibank, N.A. (CSSI Dept.) Agent Bank

New Issue
March 24, 1988

This advertisement appears as a matter of record only.

EUROFIMA

Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel
Société européenne pour le financement de matériel ferroviaire, Bâle
Società europea per il finanziamento di materiale ferroviario, Basilea

ECU 125,000,000
7⅝% Bonds due 1995

Offering Price: 101¾%
Interest: 7⅝% p.a., payable annually in arrears on March 24
Repayment: March 24, 1995 at par
Listing: Luxembourg

Deutsche Bank Capital Markets Limited

Bank Brussel Lambert N.V.
Citicorp Investment Bank Limited
Crédit Commercial de France
EBC Amro Bank Limited
Bank of Tokyo Capital Markets Limited
Banque Générale du Luxembourg S.A.
Berliner Handels- und Frankfurter Bank
Caisse des Dépôts et Consignations
Commerzbank Aktiengesellschaft
Creditanstalt-Bankverein
Generale Bank
IBJ International Limited
J.P. Morgan Securities Ltd.
Morgan Stanley International
Nomura International Limited
Shearson Lehman Brothers International, Inc.
Société Générale
Swiss Volksbank
Union Bank of Switzerland (Securities) Limited
Westdeutsche Landesbank Girozentrale
Yamaichi International (Europe) Limited

New Issue
March 25, 1988

This advertisement appears as a matter of record only.

EUROFIMA

Europäische Gesellschaft für die Finanzierung von Eisenbahnmaterial, Basel
Société européenne pour le financement de matériel ferroviaire, Bâle
Società europea per il finanziamento di materiale ferroviario, Basilea

DM 150,000,000
5¾% Deutsche Mark Bonds of 1988/1998

Offering Price: 100¼%
Interest: 5¾% p.a, payable annually in arrears on March 25
Repayment: March 25, 1998 at par
Listing: Frankfurt am Main

Deutsche Bank Aktiengesellschaft

CSFB-Effectenbank
Schweizerische Bankgesellschaft (Deutschland) AG
Schweizerischer Bankverein (Deutschland) AG
Bankers Trust GmbH
Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft
Bayerische Landesbank Girozentrale
Bayerische Vereinsbank Aktiengesellschaft
Berliner Handels- und Frankfurter Bank
Commerzbank Aktiengesellschaft
Dresdner Bank Aktiengesellschaft
Industriebank von Japan (Deutschland) Aktiengesellschaft
Morgan Stanley GmbH
The Nikko Securities Co., (Deutschland) GmbH
Shearson Lehman Brothers A.G. Bankhaus
Swiss Volksbank
Westdeutsche Landesbank Girozentrale

Alan Friedman interviews the newly-appointed head of Montedison, the Italian chemicals group

An American executive at the court of Raul Gardini

THE FIRST thing that strikes one on meeting Mr Alexander Giacco, the 68-year-old American who on Tuesday was named chief executive of Italy's Montedison chemicals group, is the incongruity of his situation.

After an hour of conversation with the former chairman of Hercules, the seventh biggest US chemicals company, it is clear that he plans to work hard, enjoy himself in doing so and meanwhile try to steer clear of the often internecine politics of Italian big industry. But the incongruities remain.

Seated behind a huge designer desk of glass and steel, in a high-ceillinged octagonal room, with walls covered with an unusual artifical substance intended to resemble green suede, Mr Giacco exudes American enthusiasm for the difficult task of restructuring the debt-laden Montedison.

"It's my first day of school," jokes the man who was plucked for Italian corporate stardom by Mr Raul Gardini, head of the Ferruzzi foods group which owns 42 per cent of Montedison.

And here is the first incongruity. Mr Giacco, who spent 40 years at Hercules of Wilmington, Delaware, rising from the missiles business and polymers production eventually to become chairman and chief executive, is full of Wall Street slogans. But Mr Gardini, who by appointing Giacco to run Montedison hopes to place himself in a position analogous to that enjoyed by Mr. Gianni Agnelli, the Fiat chairman who leaves day-to-day affairs to others, this week flatly rejected the criteria set by Wall Street.

When pressed for an explanation of a controversial Ferruzzi-Montedison share deal which has come under heavy fire in Italy because of its alleged lack of transparency and roughshod treatment of Montedison's 100,000 small shareholders, Mr Gardini refused to be judged by international practice and lashed out at the criticism, saying that "this is an Italian operation on the Italian market." The small investors, declared Mr Gardini, could "take it or leave it."

That approach, says a resolute Mr Giacco, "is going to change." The American industrialist says he is well aware that Montedison has institutional investors in the US and adds that "the Wall Street people will not buy anything but credibility." And the Giacco strategy at Montedison will focus heavily on the polymers and pharmaceuticals sectors, which are represented by Montedison's Himont and Erbamont subsidiaries, both of them quoted on the New York Stock Exchange.

Mr Giacco comes with a solid reputation in the US chemicals business — he founded Himont in 1983 as a joint venture between Hercules and Montedison. But Italian analysts wonder how he will fare at the helm of a company which is as well known for its political intrigues as for its products.

Mr Giacco says he is a professional and is not going to worry about politics. "I don't know any other way to play but to worry about our small stockholders," says the American. There is only one problem with this logic: Mr Giacco is now at the court of Raul Gardini, who is no small stockholder.

"Credibility is a very important thing to me," says Mr Giacco, who was born in southern Italy's Calabria region, but whose family emigrated to Connecticut when he was still an infant. Mr Giacco, like his close friend and predecessor Mr Mario Schimberno — the man who was ousted by Mr Gardini last December - is of humble origins. His father was a silversmith and he worked his way up the corporate ladder to achieve his present affluence, consisting of five houses in Delaware, Florida and Pennsylvania and shares in Himont worth about $9m.

Alexander Giacco: facing an incongruous situation

The new Montedison chief says he wants Montedison to "go global." At present 60 per cent of group revenues come from Italy.

Mr Giacco's strategy consists of two main goals. The first is to "concentrate" the value-added polymers and composites manufacturing divisions of the group and to maximise their return on capital, while doing the same with Montedison's pharmaceuticals and biotechnology holdings. The second is to sell non-strategic assets in order to reach Mr Gardini's target of halving Montedison debt to L4,000bn ($3.2bn) by the year-end.

"I always say that restructuring a company is the simplest part. Then you have to get the growth potential," says Mr Giacco. "This is why I'm here. Montedison has two great research legs, polymers and pharmaceuticals. What it needs is an eye on the marketplace. I am that eye." When he has finished his work, says Mr Giacco, Montedison will be reduced to polymers and other high value-added composites, pharmaceuticals and energy.

As for asset disposals, Mr Giacco suggests that the Montefibre artificial fibres subsidiary could be among the first. He also plans to unload much of the more traditional base chemicals business, either in a deal with the Enichem state chemicals group or by selling to a foreign company. But he will not be rushed. "I sold 22 businesses when I was at Hercules. There is a time to sell and a time not to. As long as you're not bleeding, you can hang on."

This, however, is another incongruity. Given Mr Gardini's desire to reduce debts drastically, Mr Giacco may not have that much time.

All things considered, the arrival of an American chief executive at Italy's second biggest private sector group has caused quite a stir in Italian industry. The dapper Mr Giacco shrugs off the ingronguity of his appointment. "This," he says, "is going to be a lot of fun."

Bayer improves despite effects of lower dollar

By David Goodhart in Bonn

BAYER, THE first of the big West German chemical companies to release its annual results, has announced a 3 per cent drop in group turnover to DM37.1bn ($2.2bn), largely due to the fall in the dollar.

However, the group stressed sales were 3 per cent up in volume terms and pre-tax income was 8 per cent ahead at DM3.1bn. The dividend will remain at DM10 a share.

Western Europe accounted for DM21.5bn of sales and the US DM6.1bn — a drop of 11 per cent on translation, but an increase of 10.8 per cent in local currency.

The company was moderately optimistic about 1988. It said: "All the figures indicate that the economies of the Federal Republic and most other leading industrial countries will continue along a path of moderate growth."

In view of the sales to date and the incoming orders the company expects to be able to at least maintain the high level of production achieved in 1987.

Springer bid outcome remains undecided

BY HAIG SIMONIAN IN FRANKFURT

ULTIMATE CONTROL of Axel Springer Verlag looked more likely to fall into the hands of Mr Leo Kirch, the Munich film entrepreneur, and Mr Franz Burda and Mr Frieder Burda, members of the German publishing family, after further clarification of their plans to pool stakes in West Germany's biggest newspaper group.

According to Mrs Armgard von Burgsdorff, an aide of Mr Kirch, there is no question of a "hostile takeover" of Springer. "It is simply a question of realising ownership rights," she said.

Springer has a complicated share structure in which the inheritors and executors of the late Mr Axel Springer control about 26 per cent of the shares, the Burda brothers 25.9 per cent and Mr Kirch 10 per cent. Moreover, Mr Kirch says he speaks for a further 16 per cent of the equity.

The issue is one of control. Springer has been riven by boardroom differences, which partly reflect disagreements between the three groups about its future.

With none of the often mutually antagonistic main shareholders having a controlling say, the result has been stalemate. Last year a verbal agreement between Mr Kirch and the inheritors fell through, prompting him to pursue contacts with the Burdas, said Mrs von Burgsdorff.

Significantly, the latest agreement is both "in contract form and binding," she added.

Mr Kirch and the Burda brothers have not stated their intentions for the company. Their agreement had been struck "to give a stable majority capable of making decisions" and to assure Springer "a leading role in the changing media world," she said.

However the combination of their voting rights would obviously allow them to exercise a majority on the supervisory board and thereby influence hiring and policy.

Finnish metals group plans flotation to fund pensions

BY OLLI VIRTANEN IN HELSINKI

OUTOKUMPU, THE Finnish-state owned base metals group, plans to go public by selling 25 per cent of itself to employees in order to solve the problem of massive pensions obligations.

The company said yesterday that employees would be offered shares with a market value of about FM500m ($125m) in exchange for allowing Outokumpu to bring its pension contributions back to "normal" levels.

Outokumpu plans to target a share issue with a nominal value of FM189m to employees. This will increase Outokumpu's equity capital to FM756m.

The pension problem stems back to 1960s when miners' pension benefits, which allowed them to retire after 20 years with Outokumpu at the age of 47 or 52, was extended to apply to all personnel. The average age of retirement at Outokumpu is now 55.

The company's accumulated pension liabilities totalled FM2.7bn at the end of 1986 of which FM1.3bn was unfunded.

Outokumpu, which has long sought an outlet for raising private sector capital, made a profit of FM202m before appropriations and tax last year after a loss of FM82m in 1986. Turnover grew by 6 per cent to FM7.6bn.

The turnaround was achieved largely by good performance of the stainless steel division, with total sales of FM1.9 bn, as well as engineering, equipment and electronics. The mining and metallurgy divisions produced a "poor result." Sales of copper — Outokumpu's primary product — were flat at FM2.58bn in 1987 after a "struggle in a very competitive market situation." The refining units in Sweden and the US performed well, much better than the unit in Finland.

Krupp warns on profits as sales slide

By Our Bonn Staff

KRUPP, THE West German steel and engineering group, has announced a sharp reduction in sales during 1987 — down to DM14.1bn ($8.3bn) from DM15.8bn — and has warned that it will report lower profits for the year.

Electronics was the one bright sector increasing sales by 15 per cent to DM774m. Mechanical engineering was down 10 per cent, plantmaking 17 per cent, the troubled steel sector - where Krupp has been at the centre of a big political row over the closure of its Rheinhausen works — down 7 per cent, and trading down 12 per cent.

Orders received during 1987 were also down on the previous year although less sharply than sales. The order figure was DM14.7bn compared with DM15.4bn.

The order picture for the current year looks slightly more optimistic. At the end of December 1987 orders in hand stood at DM9.5bn, an increase of 5 per cent on last year.

Laura Raun on increased competition in the Dutch capital markets

Klaverblad loses its stranglehold

FOREIGN BANKS, aided by smaller Dutch firms, are flouting the traditional, gentlemanly rules of The Netherlands' calm and cosy capital markets and unleashing a competitive battle that could trim the relatively fat profits of the past.

In recent months, Credit Suisse-First Boston (CSFB) and Swiss Bank Corporation Investment banking (SBCI) have led the assault by slashing fees and commissions, tampering with the fee structure, blurring the lines between domestic and Euro-guilder issues and taking guilder paper outside Amsterdam for listing.

Some support has come from other foreign financial institutions which have set up shop or enlarged their operations in the past couple of years.

The battle lines have been drawn and the established Dutch banks have struck back with sharp terms of their own, suggesting that one of the last bastions of profitable underwriting – Amsterdam – may be crumbling. Nevertheless the Dutch banks, epitomised by the so-called *klaverblad* (clover leaf), still want the old discipline reimposed so that margins can be safeguarded.

The *klaverblad* comprises Algemene Bank Nederland (ABN), the country's largest bank, and Amsterdam-Rotterdam Bank (Amro), the second largest, plus their respective merchant banks, Mees & Hope and Pierson, Heldring & Pierson.

"A few people are trying to make inroads and are being very aggressive," one *klaverblad* banker snorts. "It's obvious that those two (CSFB and SBCI) really want to establish a name in guilder paper, more on the basis of pricing than anything else."

Members of the financial community and representatives of the Amsterdam stock exchange were meeting yesterday to discuss recent developments in the capital markets; announcements are expected in coming days.

This week SBCI lead-managed two issues that raised some hackles. The first was a bond warrant for Fl 125m of five-year Euroguilder notes for Gasunie, the national gas utility. The second was a 5.75 per cent six-year Eurobond for the European Investment Bank (EIB). Both were considered to be aggressively priced, with the EIB Eurobond indicated in the grey market at 1¾, just inside its fees, and the bond warrant apparently not indicated for lack of interest.

Changing rules

There are several reasons why the *klaverblad*, which once overwhelmingly dominated the new issues market, has lost its stranglehold in the past couple of years.

First, the rules of the game have changed. At the beginning of 1986, The Netherlands' capital markets were dramatically liberalised to allow new kinds of financial instruments, quicker launch periods, and more freedom for foreign banks.

Bond dealing in large blocks and on a net basis began last year under the Amsterdam stock exchange's interprofessional market. As much as one-third of Dutch bond business was going to London because of lower commissions and, occasionally, greater liquidity.

Deregulation drew in new players and opened fresh opportunities for old ones. Besides CSFB and SBCI, Barclays de Zoete Wedd, Banque Nationale de Paris, Morgan Guaranty and Yamaichi, among others, started or expanded operations.

Another factor has been the sharp fall in Dutch interest rates as a result of the guilder's strength against the D-Mark. Dutch rates' historical premium over German ones has virtually vanished, leaving yields roughly on a par. Foreign buyers have snapped up guilder paper, fuelling an attractive climate. Many of the foreigners are believed to have been switching out of D-Mark and Swiss paper and into guilder bonds.

The promising outlook has encouraged corporate borrowers, which have traditionally played second fiddle to official borrowers, especially the Dutch Government itself. Blue chip names such as Unilever, Norsk Hydro and Akzo have tapped the market in recent weeks.

Not surprisingly players outside the *klaverblad* have been emboldened. Last month, CSFB lead-managed a Fl 250m issue of Eurobonds for Austria that were listed on the Luxembourg stock exchange instead of in Amsterdam, initially prompting a boycott by *hoekmen* (specialists).

Excessively high listing costs were the reason, CSFB said, also arguing that a system of seven-day settlement should replace Amsterdam's next-day settlement. But now the Austrian Eurobond and two other Euroguilder notes (which are, by tradition, not listed) are being traded unofficially on the bourse.

Narrower margins

CSFB and SBCI have also tampered with the traditional fee structure, in which management and underwriting fees are higher than selling concessions. The result has been narrower margins all round.

Bankers and traders along Amsterdam's smart Herengracht (literally, "gentlemen's canal") are wondering whether the renegades will succeed. The direction of interest rates could determine a lot. If rates continue to decline, then firms can take a profit from what paper is left on their books from issues priced too tightly. But if rates rise, financing such paper could become painfully expensive. Bankers and dealers also want to see how their fees mount up. "I want to see my fees come in," one dealer says.

Finally, there is the 1992 deadline for completing the single market in goods and services, when competition will undoubtedly increase. Amsterdam has long touted itself as one of the freest capital markets in the world; that claim is now coming under question.

Row brewing between AIBD and clearers

BY OUR EUROMARKETS STAFF

A ROW is brewing between the Association of International Bond Dealers, (AIBD) the Eurobond secondary market body, and the two Eurobond clearing organisations over the AIBD's plan to introduce a new trade matching system.

The clearing systems, Euroclear and Cedel, argue that the Association's project, known as Trax, comes when member firms can ill afford extra costs, and that it duplicates services they can provide more cheaply.

In a letter to members being circulated today, however, Mr Arthur Schmiegelow, chairman of the AIBD, argues that the clearing systems have failed to take account of the full benefits of Trax, which, he says, is technologically more advanced than the clearing systems' mechanisms.

The clearing systems aim to improve the computerised trade matching and confirmation mechanism they introduced last September to replace telexed confirmations. Instead of providing confirmations on the day after a trade has taken place, they want to turn it into a same-day system.

Such a development would overlap with the AIBD's planned Trax system, which also provides same-day trade matching.

AIBD officials argue that the clearing systems could not bring the benefits to dealers of a virtually real-time matching system such as Trax. The data such a system would gather could also be used to increase the Eurobond market's transparency and to help develop derivative products for hedging purposes.

Mr John Wolters, the AIBD's secretary-general, said the Trax system had played a part in the decision of the Securities and Investment Board to exempt the international bond market from important parts of the UK's new securities laws. Without such status, every trade in London would have to be reported to the SIB.

"In designating us, I expect the SIB to lay particular weight on the availability of a system like Trax which gives the Eurobond market a reporting system," he said.

The clearing systems' objections are particularly invidious to the AIBD as the Association backed Euro-clear and Cedel in the introduction of their trade confirmation system by providing rules to make the input of basic trade information mandatory for members by the beginning of June.

France to clamp down on fraud in markets

By George Graham in Paris

FRENCH stockbrokers and financial intermediaries are to be compelled to introduce timestamping of all orders in an attempt to clamp down on fraud in the Paris markets.

Compulsory timestamping is the principal recommendation of an official commission on financial market ethics, chaired by Mr Gilles Brac de la Perrière, chairman of Banque Pallas, set up a year ago by the *Commission des Opérations de Bourse* (COB), the stock market watchdog.

The commission has also proposed a broad set of guidelines, the aim of which is to ensure that clients are not damaged by their financial intermediaries' acting at the same time in different and incompatible capacities, as brokers, commercial bankers and market makers.

The report urges clearly separated accounting procedures for the different functions carried out in the same company, detailed agreements defining the relationship between client and intermediary, and constraints on the personal dealings of stockbrokers.

Fund management activities must be kept independent from the remainder of a stockbroking firm's dealings, the report insists, and fund managers must not have their pay packets linked to any form of profit measurement other than their performance in managing their clients' funds.

Officials hope companies will introduce their own internal rules over the next year, with the possibility of subsequently creating a minimum code of conduct to apply to all intermediaries, but they expect the most immediate and visible results to come from the enforcement of systematic timestamping of orders.

Mr Brac de la Perrière said: "If we had to retain only a single rule, it would be timestamping. Had these procedures been in place, some of the financial scandals which have recently hit the headlines might perhaps not have happened."

Affairs involving Cogema, the nuclear fuels company which last year announced sizeable losses from its treasury operations on the financial futures market, and Bandoin, the stockbroking firm suspended this month from dealing by the stock exchange authorities, have highlighted the lack of controls in some areas of the Paris financial markets.

Consortium takes over EAB loans

THE EUROPEAN bank consortium which owns European American Bank (EAB) has taken over potentially risky loans totalling some $850m in preparation for selling the venture, Reuter reports from Brussels.

Mr Paul Emmanuel Janssen, managing director of Générale de Banque, said after an extraordinary meeting of the bank's shareholders: "Now we can sell the bank clean."

EAB, based in Long Island, is jointly owned by Générale de Banque, Deutsche Bank, Société Générale of France, Midland Bank, Amsterdam-Rotterdam Bank and Creditanstalt-Bankverein.

Mr Janssen said, however, that the consortium was not involved in any negotiations to sell European American Bank. He said the bank's potentially bad loans, mostly to Latin American borrowers, had been taken over by EAB Holding Corporation, which is owned in turn by the European consortium. Générale de Banque has a 23.2 per cent stake in EAB.

Générale de Banque had already made provisions against 25 per cent of its share of the risky loans and did not plan to make further provisions until EAB had been sold. Générale hoped its profit from the sale would enable it to limit provisions to 50 per cent of the value of the loans.

"We're not in a hurry to sell, but if there is really a buyer, he can approach us any time," Mr Janssen said. Previous negotiations had been broken off last September, he said, declining to name the interested party.

He said EAB had turned in a net loss of about $100m last year against a net profit of $21m in 1986, after making loan provisions of about $120m. These had wiped out a trading profit of $21m.

Brazilian loans

THE $5.8bn in new loans agreed between Brazil and its creditor banks carry an interest rate of 13/16 percentage points over money market rates, not 1 percentage point as stated in yesterday's FT.

Norway brings Euroyen sector back to life

BY CLARE PEARSON

THE EUROYEN new issues market came to life yesterday with a Y50bn deal for Norway, the largest deal in the sector this year.

However, the issue did not meet a markedly enthusiastic response. The Euroyen market maintained a lacklustre feel, despite the yen's strength against the dollar, affected by the interest rates fears that dogged the US Treasury bond market.

Dealers said the only factor supporting the sector was the tight supply and demand situation in the Japanese government bond market, where higher-couponed bonds are expected to be redeemed in the coming fiscal year. But this was only serving to keep Euroyen prices stable.

Daiwa Europe led Norway's seven-year 5⅛ per cent bond, priced at 101⅞, whose terms were seen as reasonable. It was quoted at less 1¾ bid, just inside 1⅞ per cent full fees.

LTCB International launched a Y20bn five-year issue for Guangdong International Trust and Investment Company. This marked a debut for GITIC, the financing organisation for the Chinese province, in the Eurobond market but the bonds were targetted almost exclusively at Japanese investors. The 5⅛ per cent issue was priced at 101⅞.

Elsewhere, Union Bank of Switzerland (Securities) was also breaking records in Canadian dollars with a C$300m deal for Bell Canada Enterprises, the telecommunications and industrial holding company. The deal represented the largest sum raised at one stroke in the sector.

Even though the deal was launched into a market already overloaded with new paper, it met a good response which dealers attributed partly to the appeal of the borrower's name and partly to sensible pricing.

The five-year 9⅝ per cent bond, priced at 101⅞, gave an initial yield spread of 50 basis points over Canadian government bonds. Dealers said an outstanding Bell Canada bond was trading flat on Canadian governments. Yesterday's issue traded at less 1⅞ bid, the level of its total fees.

INTERNATIONAL BONDS

Meanwhile, J.P. Morgan Securities announced a 10¼ per cent C$75m five-year deal for National Trustco, the Canadian financial services group, priced at 101¼ to give a yield margin of more than 100 basis points over Canadian government bonds. This traded at less 1¾, against 1⅞ per cent fees.

Late in the day, Banque Internationale à Luxembourg led a C$20m five-year 9⅞ per cent bond for the University of Montreal, priced at 101.

Dealers expressed surprise that yield margins on Canadian dollar bonds continued to narrow despite the stream of new issues in the primary market. Yesterday, secondary market bonds were narrowly lower in sympathy with US Treasury bonds.

Nomura International led a $120m five-year equity warrants bond for Ebara, a Japanese pump manufacturer, with an indicated 4⅝ per cent coupon and par pricing.

D-Mark domestic bonds closed ¼ point easier in very low turnover. The Euro D-Mark market closed easier by ¼ point at the most, also in low volume. Details of a new domestic issue for North Rhine-Westphalia are expected today.

A 6 per cent coupon on a new bond for Polly Peck, the UK-based trading company, attracted some attention in the Eurobond primary market although many said the borrower was not well-known. The DM100m five-year bond, for Polly Peck International Finance, has an indicated par pricing although terms will be finalised on April 6.

Arab Banking Corporation-Daus and Company, the lead-manager, said the bond traded at less 1.15 bid against 2 per cent fees.

Dresdner Bank led a DM70m five-year bond for Draeger Finance, the Netherlands offshoot of the West German medical instruments company. The 5⅝ per cent bond, priced at par, was bid at less 1.10 compared with 2 per cent fees.

In Switzerland, prices closed narrowly mixed in moderate volume. At the close of its third day's trading, a SFr150m 4¾ per cent bond for Fletcher Challenge, priced at 101, was quoted at 96¼, having gained a point from its first day's level.

Crédit Suisse announced a SFr100m 5½-year convertible for Fukutoku Sogo Bank. It has an indicated ⅞ per cent semi-annual coupon and can be put in 1991 at a price to give a yield of 2.52 per cent.

Heavy demand for VW share issue

BY HAIG SIMONIAN IN FRANKFURT

THE SALE of the West German Government's 4.8m shares in Volkswagen, which will raise just over DM1.1bn ($650m), began yesterday and was said to be "going well" according to Dresdner Bank, which is leading the issue.

The comment was by all accounts an understatement, amid reports of heavy demand for the shares, which are priced at DM238 apiece. The shares being offered represent 16 per cent of the motor group's total capital and carry 20 per cent of the votes. VW shares closed at DM244.30, down DM5.70, in Frankfurt yesterday.

The selling period for the issue is due to last until Monday but it already appears that the bank will have to reduce allocations to the public.

"The recent developments in the market and at VW itself show that the timing and the issue price were right," Dresdner said.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on March 24

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	96⅝	97⅛	+1⅛	+0⅞	8.46
All Nippon Air 9⅛ 97	100	†97	97½	-0¼	-0⅜	9.82
American Brands 8⅞ 92	150	99½	100	0	-0¼	8.92
A/S Eksportfinans 7⅞ 93	100	†94½	95	-0¼	-0⅝	8.82
A/S Eksportfinans 7¼ 92	150	95½	96	-0⅛	-0⅞	8.58
Barc. Bk. Fin. 10¾ 89	200	†103	103½	-0¼	-0¼	8.11
Belgium 9⅛ 92	400	†101¼	101¾	-0¼	-0⅜	8.68
British Telecom 7⅝ 96	250	90	90½	-0½	-0⅞	9.32
British Telecom 8⅞ 94	150	100⅛	100⅝	-0⅛	0	8.78
Canada 9 96	1000	100¼	100¾	-0¼	-0⅞	8.91
Canadian Pac 10¾ 93	100	†104¼	105¼	-0¼	-0½	9.41
C.C.C.E 7¼ 91	113	†95¾	96¼	-0¼	-0⅞	8.44
C.N.C.A 7¾ 91	150	95⅞	96⅜	+0⅛	-0⅞	8.48
Coca-Cola Ent. 8¾ 90	100	†101⅛	101⅞	0	-0⅞	7.43
Credit Lyonnais 9 91	200	101⅝	102	-0¼	-0⅝	8.34
Credit National 7⅞ 92	100	95⅞	96¼	-0⅛	-0⅞	8.57
Credit National 7¾ 91	150	96	96½	-0⅛	-0⅛	8.44
Denmark 7¼ 92	500	94⅝	95⅛	-0⅛	-0⅝	8.71
Denmark 8¼ 91	300	*†100	100	0	0	8.22
E.E.C 7 91	100	95⅝	96⅛	-0¼	-0⅜	8.32
E.E.C. 7¼ 93	250	94⅜	95⅛	0	-0⅝	8.53
E.E.C 8¼ 96	100	†94¾	94⅞	-0½	-1¼	9.22
E.I.B. 7⅛ 93	100	95⅛	95⅝	-0⅛	-0⅝	8.67
E.I.B. 9⅞ 97	150	100⅜	100⅞	0	-1⅛	9.28
Finland 7⅞ 97	200	91	91½	-0¼	-0⅜	9.36
Finland 7½ 93	200	94½	95⅛	-0¼	-0½	8.73
Finn.Exp.Cd. 8½ 92	200	99⅝	100⅛	-0¼	-0¼	8.54
Ford Motor Cred 11⅞ 90	100	105⅞	106	-0⅛	-0¼	8.04
Gen.Elec Credit 10¼ 00	200	102⅜	102⅞	-0¼	0	9.88
G.M.A.C. 8 89	250	100	100½	-0⅛	-0⅛	7.75
G.M.A.C. 8¼ 89	200	100¼	100¾	-0⅛	-0⅛	7.77
Hoesch 8¼ 97	100	†93½	94	-0¼	-0⅛	9.30
Italy 9 90	1000	101⅞	102⅛	-0⅛	-0½	8.00
Liberty Mutual 8½ 96	150	*†96⅝	96⅞	0	0	9.13
L.T.C.B of Japan 8 91	200	98⅞	99⅜	-0¼	-0⅞	8.41
L.T.C.B. of Japan 8 97	100	90⅛	90⅝	-0⅛	-0⅞	9.66
Mercedes-Benz Cd. 8½ 95	100	98	98½	-0⅜	-0⅜	8.84
Metropolis Tokyo 9½ 93	200	102½	103	-0⅜	-0⅜	8.76
Mitsubishi Fin. 7⅞ 93	100	†94⅞	94⅝	-0¼	-0½	9.16
Mutual America 7⅝ 92	100	†95¾	96¼	-0¼	-0⅜	8.90
Norway 8¼ 93	500	100⅛	100⅝	-0¼	-0⅛	8.62
Pepsico Inc 7⅝ 93	200	†94⅞	95⅛	-0⅜	-0⅜	8.61
Prudential Crp. 8⅞ 94	125	99⅛	99⅝	-0¼	-0⅛	8.84
Qantas Airways 10⅜ 95	140	104⅞	105⅜	-0⅛	-1	9.35
Saab Scania 9⅛ 91	125	†102⅞	103⅜	-0⅛	-0⅛	8.23
Saskatchewan 10⅛ 92	100	106⅛	106⅝	-0⅜	-0⅜	8.76
State Bk S Aust 9⅞ 93	100	100⅜	101¼	-0¼	-0⅜	8.98
Swedish Expt.Crd. 7¼ 91	100	†96	96½	-0¼	-0⅝	8.45
Swed Exp Cred 10 92	100	104⅛	104⅝	-0¼	-0⅝	8.62
Sweden 7 91	250	96	96½	-0¼	-0⅛	8.24
Sweden 7 92	250	†95½	96	-0¼	-0⅜	8.31
Sweden 8¼ 96	200	97½	98	-0⅛	-1	9.16
Sweden 8½ 92	200	†100¼	100¾	-0⅛	-0⅛	8.34
Toyota Mtr. Cred. 9 90	200	†101⅞	102¼	-0¼	-0⅜	8.13
Victorian Rep 11⅞ 92	150	109	109½	-0⅛	-0¼	8.82
World Bank 7 92	300	†95⅞	96¼	-0⅛	-0⅛	8.28
World Bank 9 97	300	98½	99	-0¼	-0⅛	9.19
Yasuda Trust Fin 8½ 93	100	97⅜	97⅞	-0⅛	-0½	9.10

Average price change... On day -0⅛ on week -0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	102⅛	103½	-0⅛	+0¼	5.43
Avis Fin.SVS 5⅞ 92	100	†101⅛	102¼	0	-1	5.30
Bank of Tokyo 5⅜ 93	100	†103	103½	-0⅜	-0½	4.99
Central BK. Turkey 7 92	200	†104	104½	+0¼	+0¼	5.89
Degussa Int. 6⅛ 97	200	99⅞	100½	-0⅝	-0⅛	6.10
E.I.B 5½ 98	150	96⅛	97	-0⅛	-0⅛	5.95
E.I.B 6 97	300	100	100¾	-0⅞	-0⅛	5.94
E.I.B. 6¼ 96	300	101⅝	102⅛	-0⅛	0	5.86
E.I.B. 6⅛ 97	400	100⅞	101⅛	-0⅛	+0¼	5.98
E.I.B. 6⅞ 95	300	106⅞	107⅞	-0⅛	+0⅛	5.71
Euro.Coal&Steel 5⅞ 97	175	99⅛	99⅞	0	+0¼	5.95
Eurofima 6¼ 96	100	102⅝	103⅛	0	0	5.82
Elec De France 5⅞ 97	300	98⅝	99⅛	0	0	5.92
Forsmark Krtg. 5⅛ 93	200	101¼	101¾	-0⅛	+0¼	4.77
I.A.D.B. 6 97	200	98⅞	99⅛	-0⅛	0	6.18
IBJ 5⅞ 92	100	†103½	104	0	0	4.93
Japan Finance 5⅝ 97	100	97⅜	98⅛	0	-0⅛	6.08
Ireland 6½ 97	300	†101	101½	0	+0¼	6.31
Korea Dev BK 6⅜ 93	100	102⅞	103⅝	0	-0⅛	5.87
Malaysia 6¼ 94	150	102⅞	103⅜	-0⅛	-0⅛	5.61
Oesters. Kontbk. 5 93	300	†100⅜	101⅛	-0⅛	0	4.79
Portugal 5⅞ 92	150	102⅞	103⅛	-0¼	-0⅛	5.02
Portugal 6⅞ 95	150	†103⅝	104⅝	+0⅜	+0⅛	5.91
Royal Insurance 5⅛ 92	300	†101⅞	102⅜	-0⅛	+0⅛	4.91
Statoil 6¼ 97	200	†100⅛	100⅜	0	-0⅛	6.17
Soc Cent Nuclear 7⅛ 95	150	105⅛	105⅞	-0⅛	0	6.28
Tokyo Elec. Power 6 97	300	†99⅞	99⅞	-0⅛	+0⅛	6.05
World BK. 6⅛ 97	600	101⅛	102⅛	-0⅛	+0⅛	5.85

Average price change... On day -0⅛ on week +0

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5⅛ 96	100	†102¼	102¾	+0¼	+0¼	5.24
Asfinag 5 02	150	†100½	101	+0¼	0	4.92
Bk. Fran.Econ. Ust 5 98	100	†100¼	100¾	+0¼	+0¼	4.93
Bayer W/W 2½ 02	250	*†97¾	98½	0	+1¼	2.66
Bayer. Vrnsbk.Os. 4⅞ 98	100	†101¾	102	+0¼	+0¼	4.51
Elec.De.France 5 07	100	*†101	101¼	0	-0⅛	4.91
E.I.B. 4⅞ 97	200	†101¼	101½	0	+0¼	4.56
E.I.B 4⅝ 97	200	†100¼	100¾	0	+0¼	4.56
Enso Gutzeit 5 99	100	*†101	101¼	0	+0½	4.85
Ireland 5 02	150	†97½	98	+0⅛	+0⅛	5.22
Nippon Seis.Kshu. 4⅝ 93	80	†103½	103⅞	0	+0⅛	3.83
Occidentl. Petrol 5⅞ 92	100	†103	103½	0	0	4.85
Prov.of Manitoba 4⅞ 02	200	†101¾	102	0	+0¼	4.50
Prudential Fin. 4⅞ 98	200	†101½	101¾	0	-0½	4.54
Qantas Airways 4⅝ 97	110	†98⅛	98⅞	+0⅛	0	4.93
SHV Holdings 4⅞ 94	100	*†101⅛	101⅞	0	+0¼	4.41
Trans-Can. Ppe 4⅞ 94	100	†101⅛	101⅞	0	0	4.60
Usinor 5⅞ 96	120	†103⅛	104	0	+0¼	4.91
Victoria Pub.Atr 5⅛ 03	118	†103⅛	103⅞	+0⅛	+0⅛	5.04
World Bank 5 02	200	†99½	100	-0⅛	-0⅛	5.02

Average price change... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅛ 92	55	102½	102¾	0	+0⅛	4.74
Belgium 4⅝ 94	45	98	98⅛	0	+0⅛	4.98
Canada 4⅝ 92	80	98⅞	99⅛	0	0	4.63
Elec. De France 5¼ 94	20	100¼	101⅛	-0⅛	-0⅛	4.93
Ireland 5⅛ 93	30	100⅛	100⅞	-0¼	-0⅛	4.98
Norway 4⅛ 92	60	98¼	98½	-0⅛	-0¼	4.69
Rep. of Italy 5⅛ 92	150	103⅞	104⅛	0	-0⅛	4.60
Sweden 4⅛ 92	50	98½	98⅞	-0⅛	0	4.73
World Bank 5⅛ 92	50	103½	103¾	0	-0⅛	4.58

Average price change... On day 0 on week -0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat.BS.10¼ 93 £	50	101⅜	101⅞	0	+0½	9.80
Alg. Bk. Ned. 5⅛ 92 FL	150	99⅞	100⅜	+0⅛	0	5.50
Amro Bank 6⅛ 92 FL	150	102⅝	103⅛	0	0	5.45
Barc. Aust. 14 91 A$	20	103⅛	103⅞	0	-0¼	12.58
Barc. Bk. 10⅛ 97 £	250	100⅛	100⅞	0	+0½	10.13
British Airways 10 98 £	100	98¼	98¾	-0⅛	0	10.24
C.I.B.C.Mort.10¼ 93 C$	100	†102	102½	0	-0½	10.13
Denmark 7⅛ 92 ECU	100	101½	102	0	+0⅝	7.20
DG Fin. Co. 13⅛ 90 A$	50	†102⅛	103⅛	0	0	12.17
DG Fin. Co. 14 90 A$	75	†102⅛	103¼	0	0	12.50
Deutsche Bank 9⅞ 97 £	75	†100	100½	-0⅛	-0⅛	9.83
Deutsche Bk.14⅛ 92 A$	100	†107⅛	107⅞	0	+0⅛	11.76
Dresdner Fin.13⅞ 91 A$	100	†105⅜	105⅞	-0⅛	-0⅛	11.61
E.I.B 10⅛ 98 C$	130	†99½	100	+0⅛	0	10.16
E.I.B 8⅛ 93 LF	1000	†102½	103½	0	0	7.85
Euratom 7⅞ 97 ECU	145	97⅛	97⅝	-0¼	+0¼	7.78
Eurofima 7½ 92 FL	50	106	106⅛	+0⅛	+0½	5.71
Eurofima 17½ 89 NZ$	50	†103⅛	104⅛	+0⅛	-0⅛	14.59
Fed.Bus.Dv.Bk.9⅞ 92 C$	75	†100⅜	101⅛	+0⅛	-0⅛	9.43
Ford Cr.Can.10⅛ 93 C$	100	†103⅞	104⅜	+0⅜	+1⅛	9.64
Gillette Can. 9⅝ 93 £	70	98½	99	+0⅛	+0⅝	9.95
G.M.A.C. 9⅛ 92 C$	75	98⅛	99⅛	0	-0½	9.54
G.M.A.C Aus.Fin.14 90 A$	50	102⅞	103⅜	+0¼	-0⅜	12.34
Halifax BS 10⅝ 97 £	100	100⅛	100⅞	-0⅛	+0⅛	10.28
Heineken NV. 6½ 91 FL	150	†104	104⅛	+0⅛	0	4.82
Hunter Douglas 7 91 FL	50	†102⅛	103	+0⅛	-0⅛	5.98
Imp Chem Inds 10 03 £	100	98⅛	99⅛	+0⅛	+0½	10.13
Inv.Industry Int.10 93 £	60	102⅛	102⅝	0	+0⅝	9.41
Lloyds Bank 10⅛ 98 £	150	98⅞	99⅜	-0⅛	+0⅜	10.39
Nat.Australia 14 92 A$	50	103⅜	103⅞	-0⅜	-0⅞	-0.69
Nat. West. Bk.13⅛ 92 A$	50	†103	103½	+0¼	-0⅛	12.12
Nationwide BS 10⅛ 93 £	75	101⅛	101⅝	0	+0⅛	9.76
Ned.Gasunie 6⅛ 90 FL	75	†103⅛	104	-0⅛	-0⅛	5.27
Ned. Midd. Bank 6 92 FL	150	101	101½	0	+0⅛	5.64
New Zealand 7⅛ 93 ECU	200	100⅛	101⅛	0	+0⅛	7.50
Oesters.Ktbk.13⅛ 94 A$	75	105⅛	106	0	-0⅜	12.26
Prudential Fin.9⅞ 07 £	150	91⅞	92⅛	-0⅛	+0⅛	10.34
S.D.R. 7⅛ 95 ECU	90	100⅛	100⅜	0	+0⅛	7.65
Weraldhave 7½ 90 FL	75	†103⅛	104⅛	-0⅛	-0⅛	5.56
West.Utr.Hyp. 7 90 FL	75	†102⅛	103	-0⅛	-0⅛	5.84
World Bank 6⅛ 91 FL	100	†102⅛	103⅛	-0⅛	+0⅞	5.09
World Bank 5⅞ 92 FL	100	101⅛	102	0	+0⅛	5.29
World Bank 13⅛ 92 A$	100	†103⅛	104⅛	+0⅛	-0⅛	12.12

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alberta 3 93	.0312	100.15	100.25	13/06	8.17
Alliance & Leic. Bld 94 £	.08	99.41	99.46	21/04	9.02
Belgium 91	0	100.14	100.24	22/08	7
Britannia 5 93 £	0⅛	99.70	99.75	8/04	9⅛
Chase Manhattan Corp 91	0⅛	99.10	99.35	22/08	6.94
Citicorp 98	10¼	96.20	96.45	31/03	6.83
EEC 3 92 DM	10	100.35	100.40	22/08	3.56
Halifax BS 94 £	.1	99.74	99.79	9/05	9.6
Invt. In Industry 94 £	0	99.65	99.75	24/05	9.44
Leeds Perm. B/S. 94 £	0⅛	99.89	99.94	13/04	9.12
Midland Bank 01 £	.1	94.94	95.94	11/05	9.41
Milk Mkt.Brd. 5 93 £	0⅛	99.51	99.56	30/03	9
New Zealand 5 97 £	.07	99.64	99.74	18/05	9.44
New Zealand 5 01	0	99.31	99.41	4/08	6.98
Shearson Lehman Hlds 91	10⅛	99.00	99.50	9/05	6.94
United Kingdom 5 92	0	100.06	100.12	7/04	7.12
Woodside Fin. 5⅛ 97	0	99.05	99.15	28/04	7.13
Woolwich 5 95 £	0⅛	99.53	99.58	19/05	9½

Average price change... On day +0.03 on week +0.02

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02	†8/87	62.	97	98	-0½	34.33
Alco Health 6⅛ 01	†7/86	26.25	84	85	-0½	24.96
American Brands 7⅛ 02	9/87	56.7	100¼	101½	+0½	27.10
American Can Co. 5¼ 02	4/87	66.75	67⅛	68¼	+0⅛	45.27
Ashikaga Bank 2⅛ 02	4/87	967.	141⅛	143⅛	-3	0.70
Asics 5 92 DM	12/83	438.6	159⅛	160⅛	0	-1.27
CBS. Inc. 5 02	†4/87	200.	95⅛	96⅛	0	18.64
Fuji Hvy Inds 3 00	6/85	676.	167½	169	-4	-1.99
Fujitsu 3 99	5/84	1106.	234	235	-12½	-4.60
Gunma Bank 2⅛ 02	4/87	808.	167⅛	169	-2⅛	1.20
Land Secs. 6⅛ 02 £	6/87	6.72	97⅛	98½	0	21.73
MCA Inc 5½ 02 US	9/87	69.62	82	83	-0½	36.76
Minolta Camera 2⅛ 94 DM	2/86	1004.	95⅛	97	0	28.05
Mitsui Trust 2⅞ 01	10/86	1903.	148⅛	150⅛	-6	-3.42
Next Plc 5⅛ 03 £	11/87	4.3	102½	103½	-0⅛	52.28
Nishi Nipp.Bk.2⅞ 03 US	4/88	804.	106⅛	107⅛	-2⅛	-1.12
Onron Tateisi 2⅞ 02	4/87	1310.	222	223½	-5⅛	0.83
Ranks Hovis 4⅞ 03 £	1/88	3.5	108⅛	109⅛	+0⅛	17.71
Redland 7⅛ 02 £	1/87	5.4	97⅛	98⅛	-0⅛	19.81
Texas Inst. 2⅛ 02 US	†9/87	82.87	81	82	-0⅛	30.52
W.R. Grace 6⅛ 02 US	9/87	42.12	84⅞	85⅞	-0⅛	34.45

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv date=First date of conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

BUSINESS IS ABOUT TO FACE ITS GREATEST RISC.*

On April 18th, we will unleash a
new microprocessor that will make computers
several times faster and more powerful
than they've ever been before.

MOTOROLA

*Reduced Instruction Set Computer

UK COMPANY NEWS

PROFITS JUST AHEAD OF CITY FORECASTS DESPITE ADVERSE CURRENCY TRANSLATIONS

Guinness improves 9% to £408m

BY LISA WOOD

Guinness, the international drinks group, has reported a pre-tax profit of £408m for the year to December 31 1987. The results for 1986 covered 15 months – and included the period when it took over Distillers, which has embroiled the group in scandal. But the 1987 result was 9 per cent ahead of the previous year when this is adjusted to a 12 month basis.

Pre-tax profit was slightly ahead of City forecasts, and profits would have been £12m higher had currencies been translated at the 1986 exchange rate.

A final dividend of 6.2p per share has been recommended, making a total for the year of 9.2p compared with a pro-forma 8.16p in 1986, an increase of 13 per cent.

Earnings per share increased to 30.9p compared with 28.7p pro-forma in 1986, and net debt decreased from £757m to £600m.

During the past year, under its new management installed when Mr Ernest Saunders was dismissed as chairman, Guinness has disposed of several non-core businesses in order to concentrate on brewing and spirits activities. Extraordinary items included a £188m surplus on disposals, net of tax.

In 1986 Guinness wrote off £125m to cover the costs of "unusual transactions and arrangements" by the former management. These related to the takeover of *Distillers, the* Scotch whisky company.

This year £29m has been written back as an extraordinary item with the group receiving money *from* businesses including Bank Leu in Switzerland.

The company added that this year it expected to receive at least £14m from CX Partners, the changed name of the company run by disgraced New York arbitrageur Ivan Boesky.

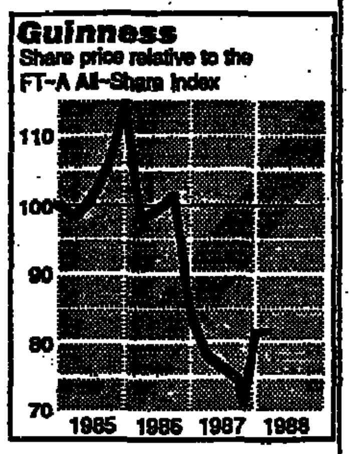
Mr Anthony Tennant, Guinness' group chief executive, said: "Under our present management, *which has been in place for less* than a year, we have made considerable progress in preparing the foundations for the group's new strategic direction."

Changes in the structure of spirits distribution in 1987, including new joint venture distribution companies, were said by Guinness to be part of the reason for a slight downturn in spirits volume. But while spirits sales, which accounted for 48 per cent of group turnover, were slightly down, profits, at £357m, *showed significant growth on* 1986 (£323m).

Mr Tennant said the group's investment in the Japanese market – with a joint distribution business with Moet-Hennessy and a Guinness-owned distributor – should begin to make a contribution in 1988.

Beer volumes were up by about 4 per cent worldwide and while the second half of 1987 saw a recovery in trading profit this was adversely affected by exchange rate fluctuations.

Brewing, with more than half of profits coming from outside the UK and Eire, accounted for 31 per cent of group turnover and contributed £83m pre-tax, some 17 per cent of group pre-tax profit. In 1986 brewing contributed £88m. Businesses sold during the year contributed profits of £15m (£35m)



No provision is being made in the accounts in respect of potential claims by Argyll, the failed suitor for Distillers, and former Distillers shareholders.

See Lex

Lucas makes £163m cash call to lessen motor side bias

BY DAVID WALLER

Lucas Industries yesterday shocked the City with the announcement of a one-for-four rights issue to raise £162.7m. This is by far the largest rights offering since Black Monday, eclipsing City & Foreign's issue in November by £62m.

The issue is not tied to any specific acquisitions. The proceeds will be deployed in line with the motor and aerospace components group's strategy of reducing its dependence on the motor sector, which accounted for over 60 per cent of turnover in the first half of the current year.

Lucas yesterday reported a £13m increase in pre-tax profits to £53m for the period to January 31 on turnover up £76m to £901.3m; undiluted earnings per share rose by 32 per cent to 30.2p and the interim dividend was *raised from 2.6p to 6p.*

Although profits were better than expected, investors were more preoccupied with the news of the deeply discounted rights issue. The shares fell 52p to close at 570p, 70p above the price of the new shares.

Mr Tony Gill, chairman, said that the latest call on shareholders was in line with the strategy outlined when Lucas held its last rights issue in December 1985. Lucas declared its intention to create more of a balance between the three areas in which the group is engaged – motor components, aerospace, and industrial.

Since then, through a series of acquisitions and disposals, the proportion of turnover derived from the motor businesses has *fallen from 73 to 63* per cent, whereas that coming from the aerospace sector has risen from 19 to 27 per cent. The industrial division's share has advanced from 8 to 10 per cent.

The aim is to further this process and, to this end, Lucas is in talks with some 10 potential acquisition targets. Analysts speculate that the group is plan*ning a major purchase in the US* aerospace sector, to be supplemented by acquisitions of smaller companies making equipment for electronic measurement and fluid power distribution.

Trading profits during the first half, struck before redundancy costs of £3m, were £15.5m ahead to £68.3m, an improvement in margins from 6.4 to 7.5 per cent.

Automotive equipment sales edged down by 2 per cent to £618m overall, though profits added 8 per cent to £36.6m, reflecting buoyant conditions in the UK where the operating contribution increased fivefold to £16.8m (£3.4m) on turnover 4 per cent up to £908m. The UK result also benefited from the disposal of businesses which lost £7m in the first half of 1986.

Aerospace profits rose by £900,000 to £20.8m, on turnover of up £68m to £261m. Profits in the UK fell by £3.7m to £14m on static turnover of £134m; four recent *acquisitions in the US* helped overseas turnover rise threefold to £76m, and profits climb from £1.5m to £8.4m.

The Industrial division increased turnover by 24 per cent to £97m, and profits almost doubled to £6.3m.

The directors are supporting the rights issue with the recommendation that the total dividend *for the year be 20p, a 25 per cent* increase over the previous year.

See Lex

TIP Europe makes £3.8m in first half

By Dominique Jackson

TIP Europe, trailer rental company, reported pre-tax profits up a third from £2.9m to £3.8m for the six months to January 31 1988, its first set of results since its simultaneous London and Amsterdam flotation last month.

TIP Europe was formed in 1986 after the management buyout of the European operations of TIP, a US company.

The combined placings raised a total of £17.5m and valued the company at £88.1m.

Total income for the period was £17.1m, compared with £15.5m in the 1986 period. Earnings per share following the flotation were 6.5p (4.8p).

A final dividend will be paid in November in respect of the year to July 31 1988. Mr Jim Cleary, chairman, said he expected this dividend to be not less than 2.8p per ordinary share.

Capital expenditure to increase the overall size of the trailer fleet and augment the proportion of premium or high specification units was continuing.

The flotation proceeds allowed the company to repay the debt incurred organising the buyout.

Stoddard diversifies with £17m Sekers buy

By Alice Rawsthorn

Stoddard Holdings, the carpet manufacturer, plans to diversify into the wider field of furnishings by acquiring Sekers International, which makes expensive furnishing and apparel fabrics, for £17m.

Both companies are chaired by Mr Gordon Kay who will become chairman and chief executive of the new group, to be called Stoddard Sekers International. He will have a small shareholding – of about 2 per cent – in the group. Stoddard was advised by Charterhouse.

Stoddard Sekers will be capitalised at about £44m and will employ 1500 people.

The two companies forecast combined pre-tax profits of £5.2m on turnover of £59m in the year to March 31.

Stoddard, like many other British carpet companies, lurched into losses in the recession of the late 1970s. A new management team arrived in 1983 and has since steered the company to recovery.

Mr Maurice Alberge, finance director, said that "having emerged from the dark" Stoddard was eager to broaden the base of its business.

The merger with Sekers, which has an overseas network, should help its plans to move into the European carpet market. Similarly it offers an opportunity to develop co-ordinated ranges of carpets and furnishings.

Sekers also encountered problems in the recession. It has recovered by building up exports but its US sales have been affected in the past year by the decline of the dollar. It recently diversified into luxury goods retailing.

Stoddard plans to integrate the design and marketing activities of the two companies.

It is also eager to expand further through acquisition. Mr Alberge said it was consid*ering moving into carpet man*ufacturing in Europe, as well as acquisitions in Sekers' established fields.

● Allied Textile, the wool textile concern, has increased its holding in Hugh Mackay, the carpet manufacturer, to 26.13 per cent.

Rolls-Royce lifts profit 30% but fails to impress market

BY MICHAEL DONNE AND LUCY KELLAWAY

Rolls-Royce, the UK *aero-engine* manufacturer, produced a record pre-tax profit of £156m in 1987 – its first since privatisation – up 30 per cent on the previous year's £120m.

Sir Francis Tombs, chairman, said this result stemmed from record turnover, up 14.3 per cent from £1.8bn to nearly £2.06bn. The operating profit was up 27 per cent from £273m to £347m.

Sir Francis said these results had been achieved despite a big increase of 41.7 per cent to £187m in company-funded research and development spending (there was no Government launching aid during the year).

This had been necessary to enable Rolls-Royce to meet tougher competition in world markets, especially in civil engines.

The increase in R and D was largely due to work on the V-2500 engine being developed by the five-nation, seven-company, International Aero Engines group in which Rolls-Royce has a 30 per cent stake, as well as to continued development of the RB-211-524 *engine for big jet airliners.*

Sir Francis felt the results showed "how firmly the company is now based in the international markets it serves. We have been able to face sharply increased net expenditure on research and development and still deliver healthily increased profits.

"Our order book is strong (£2.8bn) and our wide stable of competitive engines gives us an excellent opportunity to consolidate our existing customer base and secure some of the *attractive* new sales opportunities which are appearing around the world."

Sir Francis Tombs – big increase in R and D spending

Sir Francis also said that in *order to remain competitive in* future, the company was examining a wide range of initiatives.

These included keeping a continued watch on staff numbers, currently standing at 36,000, with the possibility of small reduc*tions when necessary, although* he stressed that no further large-scale redundancies were planned.

Asked if the company was yet ready to launch its next big version of the RB-211-524 engine, the 'L' model of 65,000 lbs thrust and above, for such aircraft as the Airbus A-330 and the McDonnell Douglas MD-11, Sir Francis said it was still some months away, *although discussions with air*lines and airframe manufacturers continued.

Rolls-Royce is recommending a final dividend of 3.5p per share, bringing the total for 1987 to 5.25p as indicated in the privatisation prospectus, and covered 3.2 times.

● comment

Rolls- Royce's first results as a public company failed to prevent the shares from drifting down with the market to 120p, and it is not hard to see why. The figures themselves contained few surprises and the future promises more of the same. Operating profits for the next year or two look flattish, and while a £2.8bn order book will mean further increases in turnover, the company is currently spending enough on R and *D to take care of the* extra. If the pre-tax figure rises this year to say £170m, it will be mainly due to a large swing from interest payable to interest receivable. Longer term, Rolls- Royce must rebuild its order book, a task that is not going to be made any easier by the strength of the pound. While hedging largely protected the company from cur*rency effects last year*, at present exchange rates it will soon start showing signs of discomfort. Although the shares seem well protected by a yield of more than 6 per cent and a p/e of less than 7, it is hard to see them moving up much until there is good news about one of the new engines. In short, not enough to strengthen recent complaints to the EC by the *forced foreign sellers* – especially not in markets like yesterday's.

Plessey set to ratify GEC deal

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

SHAREHOLDERS in Plessey Company are today expected to approve proposals to merge the group's telecommunications activities with those of the General Electric Company. The joint venture would have annual sales of about £1.2bn.

The deal, to be put to shareholders at an extraordinary general meeting in London, comes at a time of persistent City speculation over the future of the group which *has interests in telecom*munications, electronic systems, aerospace and microelectronics. The high volume of trading in the company's shares recently has led to suggestions of an impending bid from another UK or international group interested either in Plessey's telecommunications or defence interests.

The main point of City interest *in today's meeting is focused on a* clause in the agreement between Plessey and GEC which could make such a takeover less attractive to potential bidders.

This concerns the right of each partner to acquire the 50 per cent of the joint venture it does not already own in the event of a change in control of either parent company. If one of the partners is *taken over, the other can acquire* the other half of the telecommunications activities either at an agreed price or at a fair market value agreed by the auditors.

Some analysts believe that this formula will mean a significant disincentive to any company pursuing Plessey for its telecommunications activities. "This gives Plessey substantial bid proofing," *said one City specialist yester*day.

Plessey revealed in its circular to shareholders that profits of the combined group before central charges, interest and tax amounted to £159.6m in 1987 on a pro forma basis, down from a peak of £177.1m in 1984. Net assets amounted to £428m.

The group has given no indica*tions of* its detailed plans for reorganisation after the merger, but the unions involved have called for no compulsory redundancies, no transfer of work between plants without agreement, and terms and conditions of work conforming to the best practice in either company.

Beazer threatens Koppers with suit over sale plans

BY JAMES BUCHAN IN NEW YORK

Beazer, the Bristol-based housebuilding and aggregates group which is battling for control of Koppers of the US against its hostile management, has threatened to sue the directors of the Pittsburgh-based aggregates and chemicals group if it goes ahead with plans to sell off its key building materials business.

Beazer, which has launched a $1.6bn takeover bid for Koppers to win its big and successful materials operation, said it would seek damages against Koppers' directors and the buyer of the business if the sale went through.

Koppers' management has offered the business, which enjoys $900m in revenues, for sale or part-sale to help finance its counter-offer to shareholders, which involves paying a big cash dividend but keeping the remaining company independent.

Beazer is leading a group, which includes Shearson Lehman Hutton, the Wall Street investment firm, and NatWest Investment Bank, which is offering $60 a share for Koppers.

The group said yesterday that it would seek an injunction against the sale of the building materials business on the grounds that Koppers directors are "breaching their fiduciary duties".

Mr Brian Beazer, chairman of Beazer, said that Koppers' management was "seeking to entrench themselves in violation of their duties to shareholders".

He said that Koppers was conducting an auction but had refused to meet him or provide his company with information being given to others. Mr Beazer said: "Third parties are on notice of Koppers' failure to provide a level playing field. We are not going to let such parties profit from aiding and abetting Koppers' management in a recapitalisation scheme not in the best interests of all shareholders."

Acquisitions lift EHP to £12.2m

BY CLAY HARRIS

THREE large acquisitions helped European Home Products, the multinational consumer products retailer, to increase pre-tax profits to £12.2m in 1987, more than twice the £4.8m achieved in the previous year.

Although EHP came to market in 1986 when Singer of the US sold its European sewing machine distribution network, sewing accounted for only half of sales last year with only a quarter related to consumer sewing machines.

The proportion will fall in 1988 as EHP gets a full-year contribution from its acquisitions: the Scholl footwear and foot products group; Werner, the West German tights and hosiery manufacturer; and Ivarte, Spain's largest retailer of consumer durables.

In Europe as a whole, EHP has a 24 per cent share of the sewing machine market, comprising 44 per cent in the southern countries of Italy, Spain and Portugal, and 19 per cent in northern Europe.

Turnover rose by 58 per cent to £199m (£126m). Sales were evenly split between northern and southern Europe. EHP estimated that currency changes reduced supply costs by 10 per cent and pre-tax profits by 8 per cent.

Tax of £3.1m (£1.2m) reflected an unchanged rate of 25 per cent. Earnings per share rose 54 per cent to 19.2p (12.5p). A final dividend of 3p (2.5p) makes a total of 5p.

• comment

This is the retail share for 1992. The price has not begun to hint of the attractions EHP will hold to a predator who, somewhat late off the mark, wants to pick up a broad European network with one grab. EHP is still underweight in important markets – France and non-EC Switzerland – but future acquisitions are likely to take care of that. However, the group's real strength will not be continental breadth, but depth in each market. Local managers, with hardly an expatriate among them, are given great leeway, and rightly so. Their profit-linked pay depends on it. Leading the Anglo vanguard into Iberian retailing (along with Granada and - perhaps with different designs – Mountleigh), EHP finds itself in the curious position of having to set up its own competition in Portugal. Pre-tax profits of £25m puts the shares on a prospective fully diluted of only 9.5. These shares will not be overlooked for long.

Automated Security advances 22%

BY DOMINIQUE JACKSON

Automated Security (Holdings), burglar alarm and electronic security system supplier, saw profits before tax grow 22 per cent from £12.4m to £15.1m in the year to end November 1987 on turnover up by a similar margin to £63.9m (£51.8m).

Mr Tom Buffett, chairman, said 1987 had been a year of strong organic growth and of important development for the future expansion of the ASH group.

A final dividend of 1.36p, makes a total of 2.16p (1.8p).

Organic growth was high in the core Modern Alarms business which has just undergone radical restructuring. Mr Buffett said this would give Modern Alarms a larger sales base and increase efficiency levels.

The close circuit television operations, led by Cam Era Holdings, which directly markets close circuit TV systems, also had an outstanding year.

Most of the group's core businesses were highly cash generative during 1987, contributing to a stronger balance sheet.

● comment

These figures were at the better end of the profits forecast range and appear to signal that ASH has found its form as a growth company again, following a couple of disappointing years. The company has been notably successful in bringing two divisions, CCTV and article surveillance, through the initial nursery stages. Both are now performing well in markets with extremely attractive potential. Any growth in these two divisions will have to be bought in but ASH has proved itself capable of integrating this type of acquisition successfully. CCTV contributed £10m to turnover in 1987 and this could double over the next two years. However, ASH may have to concentrate resources on bringing Securitag's penetration of the German and French markets up to the impressive levels reached in the UK, Netherlands, Scandinavia and Spain. Current forecasts for £18.5m give a relatively high but justifiable multiple around 14.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Auto Security ......fin	1.36	May 31	1.14	2.16	1.8
Banro Industries....fin	5.1†	May 3	4.55*	7	6.36*
Bemrose Corp ....fin	6.5	May 27	6	10	9
Brake Brothers ......fin	1.9	-	1	2.7	1
Bridon ....fin	4.5	-	4	6	5.5
Catalyst Comms ♦..fin	0.1	–	–	0.1	–
Central TV ....fin	17	–	13	22	17
Colorgraphic § ....fin	3.17	-	-	4.5	-
Cookson Group .....fin	8	Jul 1	6	12	8.75
Croda Internat ......fin	5.6	Jul 4	5	9	8
Dean & Bowes § ....fin	2.5	–	2	4	3
Desoutter Bros ......fin	6.4	Apr 14	5.2	9.1	7.7
Eur. Home Prods....fin	3†	May 16	2.5	5	2.5
Filofax § ....fin	2.5	May 6	-	3.25	-
Guinness ....fin	6.2	May 27	2.1	9.2	10.2♣
Hall (R&H) ....fin	3.6‡	-	3.3	4.6	4.3
IoM Steam Packet..fin	6	–	nil	6	nil
London & Edin Tr..fin	2	Jul 8	1*	2.75	1.6*
Lucas Industries....int	6	Jun 13	2.6	–	16
Molins ....fin	7.1	May 27	6.5	9.6	8.7
Oliver (George) .....fin	10.3†	-	8.02	12.5	10
Rolls-Royce ....fin	3.5	June 6	5.25	-	-
Shorco § ....fin	1.85	May 3	-	1.85	-
Smith & Nephew ...fin	2	Jul 1	1.97	3.4	2.8
Spirax-Sarco Eng ...fin	4.7	–	4.2	6.4	5.7
TV-am § ....fin	3.5	Jun 3	2.18	4.5	2.68
Wilkes (James) ......fin	3.75†	-	3.75	7.05	6.75
Wilson Bowden .....fin	2.9	May 24	-	4.2	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ♣ For 15 months. ‡Irish pence throughout.

Peachey bid for EPIC topped by consortium

By Nikki Tait

A HIGHER consortium offer for Estates Property Investment Company was launched last night, despite a refusal by existing bidder, Peachey Property, to sell its 33.3 per cent shareholding in EPIC.

The new offer, which is recommended, comes from a consortium called Giltvote, headed by Mr Stephan Wingate, a former director of Wingate Property Investments. It offers EPIC shareholders 265p a share in cash or loan notes, compared with Peachey's 260p, valuing the ordinary capital at £64.6m. The £63.4m Peachey offer has been declared final.

Yesterday, Giltvote said it had secured 25.8 per cent of EPIC's equity.

The shareholders in Giltvote include The Development and Realisation Trust, a privately-owned company set up by Mr Wingate and his colleagues when they left Wingate Property Investments following Chase Corporation's takeover in 1986. There are six other investors – Eagle Star, Mercury Asset Management, Kleinwort Grieveson Investment Management, Cigna, George Soros, and Mr Wingate.

The bid is backed by around £50m-worth of bank loans. Mr Wingate said EPIC would be expanded under its existing management, and there was no intention to break up the portfolio.

Peachey still intends to proceed with its offer. It said earlier that if an alternative higher offer arrived, "Peachey wishes to make it clear it has no intention of disposing of its shareholding in EPIC and, if necessary, would be prepared to remain as a significant minority shareholder."

Cookson's rise fails to impress City

BY MICHAEL SMITH

Cookson, the specialist metals and chemicals manufacturer, yesterday reported that pre-tax profits in 1987 rose 52 per cent from 94.5m to £143.8m.

The growth in earnings per share, up from 41.5p to 54.2p, was less marked following a £162m rights issue last year. A final dividend of 8p per share is proposed to make a total of 12p (8.75p).

Currency changes had a neutral effect on profitability. The group's wholly owned subsidiaries suffered a £4m shortfall but Tioxide Group, the joint venture with ICI, benefited by £2m, and interest charges were £2m less, because of exchange rates.

The £49.3m profits increase came from wholly-owned subsidiaries (£18m), acquisitions (£5m), Tioxide (£18m) and reduced interest charges (£8m).

At Tioxide operating profits rose 31 per cent to £75m (£57m) on sales 10 per cent ahead at £271m (246m). During the next 18 months the joint venture is planning to increase capacity by 100,000 tonnes to 550,000 tonnes. About a third of the increased capacity will be coming on stream in 1988.

The metals and chemicals division increased profits by 37 per cent to £31m. Fry and Industrial Metals benefited from higher demand and better productivity and Horsell Graphics made "significant progress."

Ceramics and plastics increased profits by 70 per cent to £27.5m, with half of the rise coming from Vesuvius, the ceramics maker fully acquired in June. The division's European companies produced "excellent results."

In the US, Cookson America increased profits from £21m to £29m. About £6m of the increase came from new acquisitions Vesuvius and Polyclad and the division suffered a £4m effect because of currency changes.

Mr Henderson said three problem areas - on the west coast, in lithographic plates and in plastics - were now under control.

Taxation of £50.2m (£34.3m) was about 35 per cent of profits and minority interests were £900,000 (unchanged). An extraordinary surplus of £2m arose mainly from disposals.

The company plans a one-for-one capitalisation issue.

● comment

Cookson's shares fell 23p to 554p yesterday, considerably more than the market as a whole, but there may be some rethinking over the next few weeks. Profit forecasts for this year range from £168m to £180m, but assuming that it makes £175m the shares are trading on a prospective p/e of about 9. The rating is held back by the market's worries over Tioxide. It is true that the joint venture's growth of 1987 is unlikely to be repeated this year but there is still room for considerable improvement. Prices can be increased, if at a lesser rate than in the past, and there are no immediate signs of a dangerous increase in world capacity. Meanwhile the proportion of profits coming from the rest of the group is growing and group gearing of about 16 per cent gives management the opportunity to repeat its success with recent acquisitions. None of this suggests a re-rating for the shares but there is scope for a modest level of outperformance.

London & Edinburgh doubles to £34.7m

BY ANDREW HILL

London & Edinburgh Trust, expanding property developer and trader, more than doubled pre-tax profits to £34.7m for the year to December 31, against £15.1m in 1986.

Turnover rose to £132m (£49.8m) and increased emphasis on property investment boosted net rental income nearly three times to £8.23m (£2.9m). An increased tax charge of 25.8 per cent (11.6 per cent) meant growth in earnings per share, from 8.4p to 11.2p, was slightly less than expected.

LET also announced a sale and leaseback arrangementwith J Sainsbury, the food retailer. A joint development company, Sainsbury LET Shop Developments, has been formed, with initial funds of £24m, to exploit the redevelopment potential of surplus Sainsbury properties.

The joint venture reinforces LET's commitment to the retail sector. The group is currently developing about 2.5m sq ft of retail space in town centres and a further 2m out of town.

Last year LET, headed by the Beckwith brothers, acquired the long leasehold of Birmingham's Bull Ring shopping centre, the UK's first covered shopping centre, and a £250m redevelopment scheme should begin in 1990.

In addition, the Spitalfields Development Group, of which LET is a member, raised £315m from a group of international banks for its proposals for the redevelopment of the London market, starting in 1993. The plan, which will provide office, residential and shopping space, should be completed in the last years of the century.

Apart from Spitalfields and a 250,000 sq ft office development on London Wall, LET has comparatively little property under development in the City. Mr John Beckwith, chairman, said the company was preparing for the next cycle in the City property market.

"London lags behind Tokyo and New York on stock in the City and since the crash there is a large amount of money waiting to be invested by insurance and pension funds," he said.

In the City and elsewhere LET estimates its share of developments in progress is about £75m more than carrying costs.

LET's 40 per cent stake in Rutland Trust, financial services company, and 16.48 per cent in property developer London & Metropolitan contributed profits of £7.08m (£2.27m) on turnover of £25.1m (£13.7m).

The group is recommending a final dividend of 2p, making 2.75p (2p) for the year.

• comment

Opinion is divided on whether LET's diversity is a strength or a weakness. Some say the group should be consolidating the sectors in which it is already strong – offices, shops and business parks, for instance – others praise the company's willingness to take on new ventures at home and overseas. Certainly the growth of LET's property investments gives the group stability, as well as promising perhaps as much as £27m in rental income this year. In the more traditional LET areas of developing and trading, the FFr339m (£32.21m) sale of the Boulevard Maleshertbes office development in Paris and the promise of returns on West End offices may be offset by the imposition of VAT on new construction, but LET should still make about £44m before tax. At yesterday's closing price of 141p, down 1p, the shares are on a prospective multiple of about 10, fairly valued.

UK COMPANY NEWS

Central TV profits rise boosted by overseas sales

BY FIONA THOMPSON

Central Independent Television, the ITV contractor for the Midlands, increased pre-tax profits by 36 per cent from £16.58m to £22.54m in the year to December 31 1987. Earnings per share were up 38 per cent at 55.1p, compared with 40p in 1986.

"Our strength lies in our ability to produce programmes of both quality and wide appeal," said Mr David Justham, chairman of Central.

The company's best known programme – Spitting Image – is seen in 80 countries, and contributed to the 88 per cent rise in international sales to £22m. Central was the only British television company to win the Queen's Award for Export Achievement last year.

Turnover rose from £195.18m to £239.61m, the bulk coming from advertising. Net advertising revenue moved ahead from £162m in 1986 to £193m, raising Central's share of total network revenue from 13.7 to 14.5 per cent. Central is the second largest ITV company in terms of revenue, after Thames.

Costs increased by 25 per cent last year, said Mr Leslie Hill, managing director, with the advent of a seven-day late night service and more money spent on programmes and news. He said £4m of savings would be achieved in 1988, "by negotiation".

Given the Government decree that 25 per cent of all programmes should be made by independents, the total number of employees "would have to come down and will come down", he said, "although with 1,950 employees, we do not have as big a numbers problem as others".

Central did not see the need for compulsory redundancies, but this did depend on the reaction of the workforce to proposals including voluntary retirement at 61 and the non- replacement of certain vacant posts.

The Exchequer levy rose from £4.8m to £7.1m and the tax charge was £8.45m (£6.47m). Aft extraordinary credit of £943,000 (nil) was Central's profit after tax on the sale of Zenith, its film and television production company. A final dividend of 17p was recommended, making a total for the year of 22p (17p).

● comment

This was an impressive performance from Central, marginally above City expectations, and the shares closed 4p ahead at 529p. Advertising revenue was up 19.3 per cent, well above the network's 12 per cent rise, and the company has done well to regain its market share of advertising revenue. A surprise increase was the jump from £11.7m to £22m in overseas programme sales, though this sort of rise is unlikely to be repeated. The question mark this year will be over Central's ability to cut back on jobs and costs. On the assumption that advertising revenue growth will slow down somewhat, pre-tax forecasts for this year are between £24m and £25m, producing a prospective p/e of just over 8.

TV-am shrugs off dispute and grows 50% to £13.08m

BY FIONA THOMPSON

TV-am, the beleaguered breakfast television station, has increased profits by 50 per cent to £13.08m for the year to January 31 1988. The pre-tax advance was made on turnover up 31 per cent at £54.74m. Earnings per share rose to 15.1p from 13.1p.

"We regard our performance for the year as one of which we can all be justifiably proud," said Mr Ian Irvine, who took over as chairman last month after Mr Timothy Aitken resigned following revelations that Saudi interests had controlled a 15 per cent stake in the company since last year.

"The latter part of the year was significantly influenced by the ACTT dispute," Mr Irvine said. Last month TV-am dismissed 232 ACTT technicians for refusing to agree to changes in working practices. The technicians were locked out last November and members of the management have been working in their place since.

The station reduced its 3¼ hours a day live programming to 2¼ and bought in a lot of material, but despite these costs, the cut in salary costs meant the company saved a substantial amount of money.

Net advertising revenue increased by 15.2 per cent to £54,500, giving TV-am a 3.9 per cent share of the total network revenue, up from 3.4 per cent the previous year.

"Our average audience is now 15.7m a week - up 1m on last year," said Mr Irvine. "Although the audience tends to be biased towards women, we were pleased to see an increase in the male viewership between the 6am and 7am hour"

The company is to boost its news and current affairs output by enlarging regional studios and opening international bureaux

The Exchequer levy was £8.43m (£6.57m). The tax charge was £3.19m, compared with last year's £150,000 when the company was utilising tax losses. A final dividend of 3.5p was recommended, making a total for the year of 4.5p (2.6p).

● comment

During the dispute the company's revenue did not suffer, the chairman said. In fact the company probably benefitted to the tune of about £1m. Despite the repeats, TV-am's 15.2 per cent growth in advertising revenue beat the network's 12 per cent, reflecting increased audience figures which are continuing to edge up. The station is having some success in its bid to attract more male viewers but is keen to draw in more and so widen its advertising portfolio. The management have this week taken themselves back to their offices from the studio floor - apart from managing director Bruce Gyngell who is recovering in hospital after a heart attack - and feel they have put the strike behind them. The company's £18m cash is comforting in the light of tendering. The shares closed 3p off last night at 135p. At about £16m for this year, the prospective p/e is 8.

Capital Radio buys minority stakes in local stations

BY RAYMOND SNODDY

Capital Radio, Britain's largest commercial radio station, has agreed to acquire a package of minority stakes in 13 independent local radio stations.

Capital is buying the British radio interests of the Paul Ramsey group, the Australian broadcasting and private health care company, for £2.3m. The Independent Broadcasting Authority has already given its permission for the deal to go ahead.

The acquisition gives Capital - the London commercial music station whose share issue was oversubscribed by 62 times when it went to the market just over a year ago -stakes of more than 20 per cent in North East Broadcasting, Moray Firth Radio and Essex Radio. Most of the other stakes involved are under 10 per cent.

Mr Nigel Walmsley, managing director of Capital, said yesterday that he saw the deal as a timely investment in an industry that was showing considerable signs of growth.

Last month Capital took a 60 per cent holding in Monte Carlo-based Riviera Radio, which has more than 100,000 English-speaking listeners.

It is believed the Paul Ramsey group decided to pull out of radio in the UK to concentrate on the development of its television interests in Australia.

W Yorks Hospital agrees terms

BY DOMINIQUE JACKSON

West Yorkshire Independent Hospital and Community Hospitals announced yesterday they had agreed on the terms of a revised offer by Community for West Yorkshire.

The West Yorkshire board rejected an original £6.6m bid made earlier this month but said yesterday it would recommend the revised offer of 165p cash for each ordinary share of 50p, representing an increase of 10p per share over the original offer.

Cayzer family shuffles its deck of company interests

BY CLAY HARRIS

THE CAYZER family, former controlling shareholders in British & Commonwealth Holdings, yesterday shuffled the cards in two other quoted companies in which they hold significant stakes.

Sterling Industries bought Urquhart Engineering, industrial combustion subsidiary of Caledonia Investments, and Cayzer Trust said it was willing to see its 68 per cent interest in Sterling diluted in order to finance further expansion in specialist engineering.

Caledonia, meanwhile, said it would pay a final dividend of 4.5p (3.3p) for the year to March 31, to make a total of 7p (5.5p). The increase reflects the higher yield Caledonia is receiving on investments after reducing its stake in B&C Holdings last year.

Urquhart made pre-tax profits of £571,000 on sales of £4.7m in 1987. Sterling's existing interest in engineering is centred on hydraulic couplings, cylinders and valves.

In return for Urquhart, Sterling is to issue to Caledonia £3.85m in subordinated unsecured loan stock, convertible into 10 per cent of Sterling's enlarged share capital from April 1990.

This will be Caledonia's first stake in Sterling, which itself holds 8.3 per cent of Caledonia. In addition to its indirect holding through Sterling, Cayzer Trust owns 25.7 per cent of Caledonia. The Cayzer family and associated companies control a total of 45.5 per cent of Caledonia shares.

Caledonia also plans to buy in £1.25m in preference shares as part of a streamlining of its capital structure.

CMA USM float

Central Motor Auctions, an independent motor auction company, is planning to float on the Unlisted Securities Market, probably in April. The Leeds-based company operates nine auction centres around the country and last year produced pre-tax profits of £743,000. Brokers to the issue are the Leeds office of Rensburg.

Desoutter Bros rises 21% to finish at £6m

Desoutter Brothers (Holdings), precision mechanical engineer, announced pre-tax profits for 1987 up 21 per cent at £5.98m, against £4.95m last time.

Mr R.C. Desoutter, chairman, said that group sales had shown an 8 per cent improvement over 1986, but that due to year-end currency fluctuations, turnover rose by only 3 per cent from £39.19m to £40.33m. Earnings advanced from 25.1p to 30.1p.

A final dividend of 6.4p (5.2p) was recommended to make a total for the year of 9.1p (7.7p).

Mr Desoutter said that demand for the company's products was currently at record levels but that the increased value of sterling would affect margins and reduce potential for profit growth in 1988.

Net interest payable dropped to £154,000 (£339,000) while tax was £3.21m (£1.79m).

Smith & Nephew rises to £110m

STRONG sales growth in two core activities sharply lifted taxable profits at Smith & Nephew Associated Companies in the year ended January 2 1988.

A 52 per cent rise in sales of patient care products from £182.5m to £277.8m and a 24 per cent rise in sales of medical supplies and equipment from £72.6m to £90.3m helped push group profits up 24 per cent from £88.2m to £109.6m.

Overall sales moved up 14 per cent from £480.1m to £546.4m, though they would have been £38m higher on 1986 exchange rates.

Earnings per 10p share showed a 15 per cent gain from 7.1p to 8.2p and a final dividend of 2p (1.97p) was proposed, to make a total for the year of 3.4p (2.8p).

Mr Eric Kinder, chief executive, said the major task in 1987 had been the integration of US company Richards Medical — S&N's largest acquisition, bought for £192.7m in October 1986. He was pleased with the progress achieved so far. Profits in the region of $27m to $28m (£15.2m) on sales of just over $200m were achieved by Richards Medical in its first full-year's contribution.

Mr Kinder said the sharp increase in capital expenditure — from £31.7m to £51.4m — was investment for future organic development. The group had spent £33m on acquisitions and would continue to review opportunities for further acquisitions.

The £90m of funds raised through a convertible bond issue in May had been used partly to reduce bank borrowings and the balance remained for future acquisitions and development.

Of total sales, the UK produced 29 per cent or £167.9m, continental Europe 20 per cent (£111.2m), North America 34 per cent (£192.5m) and Australasia, Asia, Africa and the Middle East made up the remaining 17 per cent.

See Lex

Tarmac to buy Morceau for £6.6m

By Clay Harris

Tarmac, the construction and property development group, is to pay £6.6m for Morceau Holdings, a leading fire protection contractor which lost £217,000 before tax in 1986-87 and yesterday reported a significant trading loss for the first four months of the current financial year.

Tarmac is offering 64p in cash for Morceau shares, which added 8p to 61p in the market. Its recommended bid has been irrevocably accepted by directors and family trusts holding 35.7 per cent of Morceau shares. Tarmac bought another 10.7 per cent in the market yesterday.

Morceau designs and applies fire-resistant coatings for buildings and onshore and offshore petrochemical installations. It also installs fire barriers and smoke-extraction ducts.

It will trade as a separate company within Tarmac's industrial products division, although the new parent expects to take swift action on overheads to bring Morceau back to profit.

Morceau said yesterday it was too early to forecast a return to profit in the year to September 30. It fell into loss last year after losing two major contracts.

UK operations accounted for most of the loss sustained in the most recent October-January period, and prices have been raised to improve margins in a buoyant market. Morceau said Norwegian operations had been profitable as was PCG, the US company in which it holds a 20 per cent interest.

Wilson Bowden upsurge

Wilson Bowden, the Leicester-based housebuilding and property development group which went public in March last year, more than doubled pre-tax profit from the pro forma comparative £8.33m to £17.7m for the year to December 31 1987. This was achieved on turnover increased by 44 per cent from £64.98m to £93.96m. A final dividend of 2.9p has been recommended, making 4.2p for the year.

Mr David Wilson, chairman, said that he was "extremely pleased to announce such excellent results" in the first year as a public company. He added that the current year had started at a buoyant level for both housebuilding and property development, and with shareholder funds of more than £52m and an enhanced land bank, he was confident of future growth from a financial position of strength.

Operating profit of £11.09m in 1986 was pushed up to £19m with housebuilding contributing £15.37m (£8.5m) and property development £3m (£1.85m). Investment properties rental income was £350,000 (£489,000), tax £5.9m (£2.94m). Earnings per 10p share were lifted from 10.2p to 18.3p.

IBC to float property interests

BY CLAY HARRIS

International Business Communications (Holdings), the specialist publications and conferences group, plans to spin off its commercial property activities in a share flotation which could be worth up to £20m.

To set the stage for the flotation, IBC has agreed to pay £3.6m for Thomas Deal, a surveyor and property consultant. The acquisition will be integrated with Teacher Marks, another consultant, which IBC inherited as part of its takeover of Barham Group late last year.

IBC hopes to be able to launch Teacher Marks within two months, although market conditions could delay the flotation until the autumn. It will not retain any equity interest.

The combined Teacher Marks and Thomas Deal will offer a wide range of commercial property services, from portfolio management and valuations to advice on rent reviews. Thomas Deal has warranted pre-tax profits of at least £600,000 for the year to April 30; Teacher Marks' profits are somewhat larger.

Mr Michael Bell, IBC chief executive, said: "Both are putting up a strong trading performance and this will be enhanced by savings in operating costs after the merger."

Despite the profitable outlook for the property business, IBC intended to pursue its long-term strategy of concentrating on publishing and business information, Mr Bell said.

A flotation would also help to reduce IBC's borrowings. IBC's stockbroker, McCaughan Dyson Capel Cure, has been appointed to advise on the share issue.

Placing on USM values Total Systems at £8.5m

BY DAVID WALLER

Total Systems, a supplier of computer software systems and services, is joining the Unlisted Securities Market via a placing organised by brokers Albert E Sharp.

Some 2m shares, 20 per cent of the equity, are being placed at 85p, giving the company a market capitalisation of £8.5m.

The flotation is supported by a profits forecast for the year to March 31. Total expects to make pre-tax profits of no less than £825,000, putting the shares at the issue price on a prospective p/e of 15.9.

No new money is being raised as current cash resources amount to £800,000. Mr Terry Bourne, chairman and managing director, said that enhanced prestige with customers was the principal reasons for seeking a quotation.

It would also be easier to motivate the company's employees by implementing share-related bonus schemes, he said.

Turnover has grown from £1.14m in 1983 to £2.14m in 1987, and pre-tax profits from £127,000 to £498,000 over the same period. Total has operated in three main areas: insurance, financial services and banking, which accounted for 61 per cent of last year's turnover.

Contract values traditionally range from £30,000 to £1m; approximately half last year's turnover was repeat business.

First dealings are expected next Thursday, March 31.

Profits surge at Colorgraphic

Colorgraphic, a USM-quoted printer, increased 1987 pre-tax profits by 80 per cent from £1.13m to £2.03m on turnover up from £20.02m to £25.2m.

Earnings per share rose by 51 per cent from 8.48p to 12.84p. The directors recommended a final dividend of 3.17p making a total of 4.5p for the year.

Mr Nick Winks, chief executive, said the year had been a particularly successful one, all the subsidiary companies had performed well.

"The direct response market is growing rapidly and 1988 has started well," he said.

Increased share of market helps lift Bemrose

Higher market share in security printing and in calendars and diaries helped push pre-tax profits at Bemrose Corporation up 24 per cent for the year ended January 2 1988. They moved up to £4.36m, against £3.51m.

The result for this Derby-based specialist printer was achieved on turnover up 8 per cent from £40.7m to £43.8m. After tax of £1.45m (£907,000), however, earnings fell from 22.45p to 20.41p.

The board recommended a final dividend of 6.5p (6p) for a 10p (9p) total.

The board said that, of the group's US subsidiaries and related companies, Souvenir and the Janesville Group had particularly strong years. The group's US profits would have been significantly higher but for the relative weakness of the dollar.

Mr David Wigglesworth, Bemrose chief executive, said that although profits would, as usual, be realised predominantly in the second half of the year, operations had made a good start to 1988.

Nth. Sea & Genl. at £2m

North Sea & General, USM-quoted resources company, yesterday announced pre-tax profits of £2.04m for 1987 compared with a loss of £9.75m previously. At the halfway stage the company made a turnround from a loss of £1.09m to profits of £638,000.

The increase was on a reduced turnover of £6.1m (£6.2m). Earnings per share were 2.56p (losses 41.74p).

Mr Mark Hohnen, chairman, said the highlight of the year had been the disposal of the North Sea exploration and production interests and the transformation of NSG into a diversified natural resources group.

He said the results demonstrated the success of the first phase of the new management strategy, although the large changes to the group's structure have not been reflected in the figures.

The results did not show the benefits from the acquisition last year of Australian gold producer Indian Ocean Resources.

"We can now look forward to a full year contribution from Indian Ocean's rising gold production which should put NSG in a position to pay a maiden dividend," he said. Mr Hohnen predicted a significantexpansion of core activities'

Shorco beats profits forecast

Shorco has beaten the £290,000 forecast in the prospectus for its USM launch in December with taxable profits for 1987 of £320,000 on turnover of £3.29m. In 1986 profits of £230,000 were achieved on turnover of £3.15m.

Mr John Robertshaw, chairman of this specialist plant hire group, said the mild weather helped the group have a good end to the year

The directors recommend a dividend for 1987 of 1.85p.

Molins follows TKM bid battle with £10m profits

BY ANDREW HILL

PROFITS at Molins, the cigarette-making equipment company which fought off a bid from Tozer Kemsley & Millbourn last summer, rose from £9m in 1986 to £10.2m before tax in the year ending December 31, in line with the company's forecast to shareholders during the TKM offer.

Adverse currency movements reduced profits by £900,000 over the year and also affected group turnover which was down to £100.6m (£122.9m).

An extraordinary loss of £1.1m was incurred in defending the bid from TKM, Mr Ron Brierley's UK subsidiary. TKM still holds over 29 per cent of Molins.

Restructuring and currency fluctuations led to reduced sales in the tobacco machinery division where trading profits dropped to £6m (£7.6m).

Molins claims to hold about 40 per cent of worldwide market for cigarette-making machines and says its new MK10 model, which can produce 8,000 to 9,000 cigarettes a minute, is selling well. Growth markets include developing countries like China, which has orders with Molins worth a total of about £60m.

Mr Michael Wright, new managing director, said yesterday: "I believe our cigarette-making and packing business has never been on a sounder technological base. We now have to concentrate on selling it."

The corrugated board machinery division increased trading profits to £2.4m (£1.7m) on turnover down from £36.3m to £31.7m, and the issue of Flexible Manufacturing Systems patents in the US contributed profits of £1.9m (£200,000).

Molins is involved in the development of a security printing system with the Bank of England Printing Works, which it expects to launch later this year. The company also intends to develop its technology for fields outside the tobacco industry.

Reorganisation costs of £1.9m at the tobacco division were taken below the line, although the losses may be offset in 1988 if retail redevelopment of the company's Deptford site is approved and the site sold.

Earnings per share increased from 19.1p to 21.9p and the board recommends a final dividend of 7.1p, making 9.6p (8.7p) for the year.

David Smith makes move into media communications

BY MAGGIE URRY

David S Smith, the paper and packaging company, is buying a half share in Focus Investments, a magazine publishing and exhibitions group.

Mr Richard Brewster, chief executive of Smith, said yesterday, "the acquisition of 50 per cent of Focus is the first step in the group's stated intention of moving into media communications as a third activity." He said Focus was a base to build on.

Last year Smith appointed Mr Bryan Hope as a consultant to look for acquisitions in the media area. Mr Hope was already involved with Focus, which publishes nine magazines and runs 11 exhibitions, and acted as a marriage broker. Discussions with Focus have been continuing since last autumn.

Focus' latest venture is a 50/50 deal with the BBC to produce a magazine and an exhibition based on the Clothes Show television programme. Mr Richard Hease, Focus' chief executive, believes tie ups with television programmes are a growth area in publishing.

Focus' other magazines are mainly in the computer and technology areas, while its exhibitions cover markets such as racing cars, windsurfing and watersports, retail technology and design.

Smith is paying £1.2m for its half share and has an option to buy the other half in 1993, or 1992 if the owners of the other half require Smith to buy. The price will be related to Focus' profits in the previous two financial years with a maximum price of £16.9m if after-tax profits reach £3m.

The other 50 per cent of the shares will be held equally by three people, Mr Hease and his co-founder Mr Brendan McGrath, and Sir Gordon Brunton, chairman of Focus and one of its early backers.

Smith will invest £1m in Focus preference shares and put a further £2m into the business to finance acquisitions.

Focus, which was set up in April 1985 and is still largely in a start-up phase, incurred a loss of £361,000 in the year to March 1987, on sales of £1.95m.

James Wilkes announces turnaround of £1.1m

James Wilkes, manufacturer of promotional products, printing machines and equipment, returned to profitability in 1987 with pre-tax profits of £917,578, compared with a loss of £215,917 the previous year. Turnover was down at £6.88m compared with £7.94m, but the final dividend has been held at 3.75p, giving a total of 7.05p, up 0.3p.

Mr Stephen Hinchliffe, chairman, said closure costs at T C Thomson had been heavier than expected, and with other reorganisation costs, came to £389,946. Deritend, engineering and equipment, had an exceptional year with a £1.4m US order making up 40 per cent of sales. Cumbria Land, acquired during the year, is a waste management operation which the chairman expects to provide improved profits following a nine-month contribution of £68,500.

Earnings per share of 14p contrasted with a loss per share of 4.2p in 1986. Tax paid was £332,924 (£44,058 credit).

Catalyst Communications jumps 70% to £955,000

Catalyst Communications, marketing and media services company, reported record pre-tax profits of £955,000 for 1987, up 70 per cent on £563,000 for the previous 15 months. An initial nominal dividend of 0.1p is being recommended.

The company also announced its intention to move from the Third Market, which it joined in February 1987, to the Unlisted Securities Market. Dealings are expected to begin on Thursday, March 31.

Turnover was £14.8m (£10.04m) and earnings per 5p share were stated as 4.1p, against 2.4p.

Directors said that the results reflected both internal growth and acquisitions. First-time contributions from a series of acquisitions during the year had made the company one of the top three specialist sales promotions companies in the UK.

They added that the start to the present year had been encouraging with a significant number of new assignments.

The pre-tax figure was struck after taking account of losses on discontinued activities of £154,000. Tax took £292,000 (£242,000) and after minorities of £11,000 (£36,000) and extraordinary debits of £71,000 (£124,000 credits) profit for the year was £582,000, against £409,000.

Baillie Gifford Japan

Net asset value at Baillie Gifford Japan Trust rose 3.2 per cent from 610.7p at August 31 1987 to 630.5p at February 29 1988. This represented a recovery from the first quarter which included the stock markets crash and which saw nav fall 19 per cent.

The policy of remaining fully invested resulted in reduced income of £170,000 (£361,000). The directors said no dividend was likely to be paid for the year.

Suter/Amari

Suter, industrial conglomerate, has increased its stake in Amari, the metals and plastics company to 24.43 per cent.

Geo. Oliver lifts profit to £4.66m

George Oliver (Footwear) has substantially increased pre-tax profit from £1.46m to £4.66m for the year to December 31 1987 on turnover up from £54.21m to £84.41m.

A final dividend of 10.3p (8.02p) is recommended making a total of 12.5p for 1987, up from 10p.

During the year Oliver acquired the troubled Timpson Shoes shoeshop chain for £15m and then had to sort out stock and computer problems.

Trading profit came in at £3.47m (£1.72m). Profit on property sales contributed £2.31m (£382,000). Interest payable was £1.44m (£915,000); tax paid came to £686,000 (£182,000). Earnings per share jumped to 62.09p (23.27p) when property profits were included.

R & H Hall downturn to I£2.7m

A fall in pre-tax profits to I£2.72m (£2.35m) against a previous I£3.1m was announced by R & H Hall, Cork-based grain merchant, for 1987.

The total dividend for the year is to be lifted to 4.6p (4.3p) with a final of 3.6p. Earnings improved from 10.68p to 12.72p per share.

Turnover was slightly lower at £160.68m (£161.88m). The pre-tax result was after a £774,000 (£912,000) contribution from related companies.

Dean & Bowes advances 63%

Dean & Bowes Group, USM-quoted design and refurbishment contractor, lifted 1987 taxable profits by 63 per cent from £569,000 to £928,000, on near doubled turnover of £7.38m, against £3.79m.

Earnings per 5p share were 8.65p (5.8p) basic or 8.01p (5.4p) fully diluted. The final dividend is 2.5p for a total of 4p (3p).

Banro advances 34% and announces rights issue

FOLLOWING a year of strong progress Banro Industries, reported record profits of £3.4m, up 34.4 per cent on the comparable £2.53m. The company, Midlands-based engineer, also announced a 3-for-10 rights issue to raise a net £5.6m.

Turnover for 1987 was up 24 per cent at £50.18m (£40.4m). Earnings per 20p share came out at 17p (16p) and the directors are recommending a final payment of 5.1p, making 7p for the year against an adjusted 6.3p.

Under the rights issue 3.67m shares are being offered at 160p a share. The money will be used to reduce bank borrowings and to meet working capital and capital spending needs. It is also expected that it will be used to pay the first instalment on the deferred consideration for Gleave Distributors, which was acquired in October.

The issue has been underwritten and brokers are James Capel & Co and Margetts and Addenbrooke.

Mr Edward Rose, chairman, said 1987 had been another very successful year with sales, profits and dividends reaching new peaks. He added that the prospects for the present year were extremely good.

Demand had been strong and was growing. Plated Strip and the Edward Rose companies made good progress and many new products had been successfully developed during the year.

Since the year-end H. Pickering & Son, specialist engineer, was acquired.

Operating profit was £3.72m (£3.06m) and the pre-tax figure was struck after interest charges of £320,000 (£533,000). Tax took £1.97m (£1.49m) and after minorities of £2,000 (£26,000) and extraordinary debits of £127,000 (£22,000 credits) attributable profits were £1.84m, against £1.49m last time.

UK COMPANY NEWS

Croda ahead 17% and good start this year

BY MICHAEL SMITH

Croda International, chemicals, foods and cosmetics company, yesterday announced a 17 per cent increase in pre-tax profits and a 24 per cent rise in earnings per share.

Mr Mike Cannon, chairman said 1988 had started well. The company had not experienced any downturn.

In the year to December 27, Croda increased pre-tax profits from £27.14m to £31.8m on sales of £339.47m (£342.73m). Earnings rose proportionately more, from 13.6p to 16.82p, because of a reduced tax charge.

Sales volumes improved and the reduced turnover resulted from lower selling prices, adverse currency translation and "judicious business pruning."

Gearing rose from 5.8 per cent to 9.1 per cent, but would have been about 4.1 per cent had the company not bought Hilko Holding, a Dutch cosmetics group.

Mr Derek Mather, vice chairman, said Croda was holding acquisition talks with a number of small privately-owned companies. Two acquisition announcements are likely within the next couple of months.

Of the five divisions in the group, only food reported a profits downturn, with the £2.7m of 1986 falling to £1.31m. Although food services had a good year, the honey operations suffered from market oversupply. Sunland, the US honey importer, saw profits of £400,000 turn into a similar amount of losses.

The company's largest division, speciality chemicals, lifted profits to £18.78m (£16.5m) and industrial chemicals rose to £3m (£2.18m). This latter improvement was flattered by high re-organisation costs in 1986.

Cosmetics and toiletries profits were £2.58m (£2m), while the surface coatings contribution was up 68 per cent to £6.1m.

A final dividend of 5.6p (5p), makes a total payout of 9p (8p).

● comment

Although the profits were bang in line with expectations, the lower tax charge led to a windfall in the earnings growth. With the ACT clawbacks mountain at £7m – about £2.2m was used last year – a similar tax charge of about 31 per cent can be expected in 1988. Trading prospects seem reasonable, if unexciting. With margins in the core speciality chemicals already above 14 per cent, growth from there will have to be through volume increases and through acquisitions. But the division has a wide spread of customers and would be well protected if there was a recession. In the one area of disappointment last year, food, there should be better results in 1988 with honey possibly breaking even. The City is expecting pre-tax profits of about £36m this year, putting the shares on a p/e of about 10. That leaves little room for growth but the shares are supported by a prospective yield of about 7 per cent and a strong balance sheet.

Mike Cannon – improved sales volumes

Exchange rates hit Spirax-Sarco profits

BY DOMINIQUE JACKSON

Spirax-Sarco Engineering, fluid control equipment manufacturer, saw pre-tax profits rise by 12 per cent from £16.9m to £18.9m in 1987, following static profits in 1986.

Trading profit was £17.9m, representing a margin of 18.2 per cent (17.2 per cent).

The company said currency translations had an adverse effect on profits of around £500,000.

Mr Simon Harris, finance director, said group turnover increased by 4.3 per cent to £98.8m (£94.7m). Without the effect of currency translations, this increase would have been more than 10 per cent.

He added that order levels in the early 1988 were higher in real terms than last year and that the group's January acquisition, West German Hygromatik, was performing well.

The company has a strong balance sheet with net positive cash flow of £4.8m in 1987 and is open to the possibility of acquiring another company to complement existing operations.

Mr Chris Tappin, chief executive, said the steam speciality market in the UK picked up in the second half of 1987, as did the European market, although difficult trading conditions in Belgium, Spain and Austria adversely affected results of the group's operations in those countries.

The board recommended a final dividend of 4.7p making a total of 6.4p for the year (5.7p). Earnings per share were 16.4p (14.5p).

The company also annouced that current chairman, Mr Jim Parsons, will retire in May. On his retirement Mr Tappin, will combine the position of chairman with his present role.

● comment

The markets in which Spirax-Sarco operates are not quitefinite but they are mature and the company has rightly recognised the need to be a world player. The trading results of the overseas subsidiaries are usually translated into sterling at average rates, a practice which has often prompted investors to take a purely currency-linked view of the stock. However, this may be misleading as many of the operations abroad are manufacturing facilities and therefore unlikely to be hard hit on the trading line by exchange rate fluctuations.The current management is methodically carrying out a 5 year plan and the business has become pleasingly cash-generative. A few acquisitions, along the lines of Hygromatik, might be expected this year. Spirax-Sarco has always been a sure and steady stock and has proved resilient to uncertain market conditions. Current forecasts for £20m give a prospective multiple around 10 which appears slightly undervalued.

Rationalisation costs leave Bridon lower

REDUCED PRE-TAX profits of £7.7m against £10.4m were yesterday reported by Bridon, Doncaster-based wire rope and fibre maker, for 1987.

That figure was after an exceptional £2m charge for additional rationalisation and redundancy costs expected to be incurred in the first half of 1988. Last time there was an exceptional £2.8m credit which included the share of profits of its related company, since sold.

That provision reduced earnings by 3.9p to 7.2p per share, but the directors felt that was justified by improved results expected in the current year And they are proposing an increased final dividend of 4.5p (4p) to lift the total from 5.5p to 6p.

They said that 1988 had started well and Bridon was enjoying, as predicted, the full benefit of the reduction in its cost base, reported last year. The further cost reductions would take place progressively during 1988.

Turnover for the year improved to £196.1m (£187.6m). The market for wire products remained buoyant, the directors said, with the decline in the wire rope market appearing to be levelling out. That market, however, remained very competitive.

With most of the restructuring programme accomplished the directors said they were pursuing a number of possible acquisitions. In addition, the company was continuing to test and develop new applications and products in several areas of operations.

Tax was lower at £3.7m (£4.3m) and there was an extraordinary £0.2m (£2.5m) debit.

Brake Brothers up 35% and holds sales growth

A 35 PER CENT increase in pre-tax profits from £5.63m to £7.61m was announced by Brake Brothers, supplier of frozen foods to the catering industry, for the year to December 31 1987.

Turnover improved by 21 per cent to £91.85m (£75.97m) while earnings per share rose from 10p to 11.1p. A final dividend of 1.9p (1p) was recommended making a total for the year of 2.7p (1p).

The directors said they were looking for "opportunities for expansion and development" adding that sales for the current year were continuing to show growth in line with 1987.

Filofax jumps to £2.6m

FURTHER progess at Filofax, personal orgniser group, in the second half saw pre-tax profits for 1987 end 85 per cent higher at £2.62m from £1.42m previously. Turnover nearly doubled, from £6.74m to £12.9m.

Earnings per share grew from 7.5p to 10.7p and the directors plan to pay a final dividend of 2.5p, for a total of 3.25p. The group joined the USM in April.

Deskfax, the first major new product linesince the original system in 1921, was launched this month. It is aimed at the international desk diary market and Mr David Collishon, chairman, said reactions had been very encouraging in the UK, Europe, the US and Japan.

Reviewing the past year, Mr Collischon said strong growth had been achieved overseas and distributors had been appointed in three important markets: West Germany, Canada and the Middle East.

UK sales grew in all the group's traditional markets and the corporate and business gift market had been entered.

The target of establishing 1,250 outlets was achieved by mid-year and progress made in increasing the space devoted to Filofax products within existing retail outlets. That development process was expected to continue this year.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Hidport-Gundry, Ferry Pickering, Magnetic Materials.

Finals- Apan Communications, Asset Trust, Beaufort, Central Independent TV, Davies & Metcalfe, Gaskell Broadloom, Norman Hay, Macallan-Glenlivet, Martin Currie Pacific Trust, Peek.

FUTURE DATES

Interims-	
Gleeson (M.J.)	Apr 28
Merlin International Prop.	Mar 28
Ulster TV	Apr 22
Finals-	
AMEC	Apr 7
Assam-Dooars Holdings	Mar 28
Blockleys	Apr 12
British Syphon Inds	Mar 30
Brown Boveri Kent	Apr 8
Coates Brothers	Mar 30
Gibbs and Dandy	Mar 30
Johnston Group	Mar 29
London and Manchester	Apr 7
London Forfaiting	Apr 8
Sherwood Group	Mar 29
Southampton I.O.W. Steam Packet	Apr 7
Top Value Industries	Apr 18
Travis and Arnold	Apr 7
Triplevest	Mar 31
Western-Dooars Tea	Mar 28

COMMODITIES AND AGRICULTURE

Higher wheat crop forecast for 1988-89

By David Blackwell

WORLD PRODUCTION of wheat for 1988-89 is set to rise to 525m tonnes, according to preliminary projections by the International Wheat Council.

This is well short of the record 535m tonnes set in 1986-87, but much higher than the 508m tonnes for 1987-88.

The 1987-88 harvest was 31m tonnes below estimated consumption of 539m tonnes, according to the IWC's latest monthly report. The smaller harvest is expected to lead to a 21m tonne decline in the stocks of the five major exporters (Argentina, Australia, Canada, the US and the EC) at the end of this year to 61m tonnes – the lowest level since 1981/82.

The low level of stocks, coming after five years of steady accumulation, could mean that in the coming year the international market could be significantly influenced by the size of the world harvest for the first time in several years, says the report.

"A crop below the level of consumption could result in a drawdown of stocks to levels that could push up prices and encourage the removal of limitations on output in the US, and stimulate production in other major exporting countries," says the IWC.

"Alternatively it is not impossible that a large world harvest could give rise to some modest replenishment of stocks.

FAO calls for decisive action on locust plague

By John Wyles in Rome

THE UN's Food and Agriculture Organisation yesterday called for "swift and decisive action" to deal with a plague of locusts which threatens to cause a major food crisis in the Sahel and parts of North Africa.

Mr Edouard Saouma, the director general of FAO, warned yesterday that swarms of locusts had reached the Mediterranean in the last few days after invading Morocco, Algeria, Tunisia and Libya.

He said there was a risk of a "devastating plague" similar to the one of 30 years ago which took 10 years to conquer. FAO officials believe that the time has come to re-examine the use of certain pesticides, arguing that the plague can only be checked by controlled and supervised spraying of dieldrin all over the infected surface.

Excess production could tarnish silver outlook

BY KENNETH GOODING, MINING CORRESPONDENT

A WARNING that looming growth in silver production is casting a shadow over the price of this precious metal has come from the New York-based American Precious Metals Advisors group in its weekly bulletin.

Silver production in the non-Socialist world is set to rise from about 325m ounces in 1987 to at least 390m ounces in 1990, it suggests.

Nearly all of this increase will be bi-product of new gold or base metal mines and therefore will be insensitive to the price and economics of the silver market itself, it adds.

"Silver's price could still perform relatively well in the next year or two if precious metals enjoy a strong bull market, if the Americans – who still favour silver – become excited again about hedge media and/or if world business activity continues to improve.

"However, the next bear market could be particularly severe for silver because little of the new production will be shut down at low silver prices," APMA states.

CONCERN OVER unrest in South Africa is continuing to push platinum prices higher, writes our commodities staff. The London bullion market price, which this week moved above $500 a troy ounce for the first time since the middle of January, gained another $6.25 yesterday to $517.75 an ounce.

Unofficial strikes by miners in South Africa, where about 80 per cent of the world's platinum is produced, and the increasing involvement of churchmen in the political situation are reported to be making traders nervous about the supply outlook. Mr Brian Nathan, managing director of London-based metal traders Ayrton Metals, believes platinum will trade between $500 and $525 an ounce over the next few weeks in the absence of further developments.

Among the new, big bi-product silver producers identified by APMA are: Echo Bay's Cover mine (5m troy ounces of silver in 1990 and ultimately expected to produce 8m ounces); Consolidated TVX's new Chilean mine (more that 8m ounces by 1991); FMC Gold's Paradise Peak mine (4m to 5m ounces); Placer Dome's Misima and Porgera projects in Papua-New Guinea (about 7m ounces); and Cominco's Red Dog lead-zinc mine (5m ounces) in addition to numerous smaller projects in North American, Australasia and elsewhere.

More recently, interest in precious metals has revived in the Far East, which prefers gold, whereas Americans have remained on the sidelines.

What interest there was in the US focussed on the Silver Eagle bullion coin which is made from US Government silver stocks and so investor demand does not affect the market's supply-demand balance.

● Silver bullion closed at $664 an ounce in London yesterday having advanced strongly this week from $630 last Friday in response, dealers said, to higher oil prices.

Brazil tackles gold smuggling

BY JOHN BARHAM IN SAO PAULO

AFTER MONTHS of acrimonious debate, the Central Bank of Brazil yesterday took an important step aimed at ending Brazil's time-honoured gold smuggling tradition.

Last year smugglers are believed to have disposed of a staggering 65 per cent of Brazil's gold output, estimated at about 100 tonnes.

The Brazilian Central Bank has now decreed that any financial institution can buy gold directly from from the independent prospectors, known as Garimpeiros, in the hope that banks and brokerage houses will displace the smugglers by paying the market price.

Smuggling flourished because the Central Bank levied a 2.5 per cent tax and often used to fix the national gold price below the international price.

Naturally, the Garimpeiros preferred to sell their gold to smugglers, who ignore the Central Bank's gold price and do not pay taxes. The smugglers fly the gold in light aircraft to Rio de Janeiro or Sao Paulo and then send it to neighbouring Paraguay or Uruguay.

In August, Brazil's government attempted to curb smuggling by cutting taxes by two-thirds and reducing bureaucratic control. Mr Jose Barbosa Mallo, a director of Brazil's National Gold Association, noted that the Garimpeiros' legal output tripled in October to 3.8 tonnes.

Nonetheless, smuggling continued, mainly because the Garimpeiros suspected the government buyers of being double agents for the tax authorities. Also, there are not enough government buyers to cover all of the Amazon's 2,000 gold producing sites.

Although the government has learned to live with them officials are still very wary of the Garimpeiros. The prospectors are difficult to control because they are independent and often violent. The officials also complain that their rudimentary production methods are extremely wasteful and pollute the Amazon's rivers with mercury which they use to separate gold from sludge.

Venezuela plans new aluminium smelter

BY JOSEPH MANN IN CARACAS

ALCASA, a Venezuelan aluminium producer, plans to build yet another aluminium smelter, in partnership with Alusuisse of Switzerland and Alumax of the US, according to Mr Celestino Martinez, Alcasa's president.

The new joint venture, to be called Aluguay (Aluminio de Guayana), will be designed to produce 180,000 tonnes per year of primary aluminium (ingots,slabs and cylinders) and will require an investment of more than US$300m.

Morgan Guaranty Trust is financial adviser on the project, and the Venezuelan Government expects a debt-equity swap to provide a major share of financing for the foreign partners.

Alcasa, the full name of which is Aluminio del Caroni SA, is majority-owned by the Venezuelan Government. Reynolds International of the US holds about 15 per cent of its shares.

Venezuela is in the midst of a big expansion of its aluminium industry, and is aiming at achieving primary aluminium production capacity of 2m tonnes a year by the end of the 1990s.

News of the Aluguay smelter comes on the heels of two other recent developments in the aluminium sector. Alcasa last week signed an agreement for construction of a 180,000-tonnes-a-year smelter in partnership with Austria Metall AG and Pechiney of France, and earlier this year it was learned that a Venezuelan government agency, the Corporacion Venezolana de Guayana, will build a 120,000-tonnes-a-year smelter with the Aluminum Company of America (Alcoa) and Sural, a Venenezuelan partner.

Nickel price touches £20,000 a tonne

By Kenneth Gooding

NICKEL'S SEEMINGLY unstoppable rise continued yesterday and the cash price set yet another record during official London Metal Exchange dealings in the morning – $20,000 a tonne or $9.07 a lb.

That was $200 a tonne or 9 cents a lb above the peak reached on Wednesday.

However, moderately active two-way dealings developed during the afternoon LME rings and at the close nickel was $19,950 a tonne, up $500.

Metal Bulletin magazine reported yesterday that ice in the North Sea had delayed the arrival of Soviet ships but one vessel, believed to have 3,000 tonnes of nickel on board, was due to arrive in Europe by the end of this month.

Traders suggested, though, that the metal is likely to go straight to consumers and do nothing to improve the level of the LME's nickel stocks which are widely expected to show another fall this week from the dangerously low level of 1,938 tonnes.

The nickel price is almost certain to continue to rise until the dispute which has held up shipments by Falconbridge from the Dominican Republic is ended or more metal arrives from the Soviet Union, traders added. However, most assume that the Soviet Union would already have shown a keenness to sell at the current record prices if it had any nickel readily available.

UK fish farming export sales 'disappointing'

By David Blackwell

THE BRITISH fish farming industry, already growing fast on the domestic front, has substantial room for expansion into overseas markets, according to a report by Aberdeen University Marine Studies.

The report, commissioned by the Department of Trade and Industry as part of its "Resources from the Sea" programme, describes as "disappointing" the industry's export penetration of only 1.9 per cent of the potential market. It estimates the world market to be worth just under £2bn a year for the next five years.

The potential is too great to be ignored, says the report, which believes a 5 per cent share (£95.4m a year for the next five years) is a realistic short-term target which could be achieved through better marketing of existing capabilities. In the longer term, 10 per cent could be reached.

Changes in forestry incentives may cause 'crisis of confidence'

BY JAMES BUXTON IN EDINBURGH

THE FORESTRY industry yesterday expressed concern that the major changes in financial incentives for tree planting brought in by the Government in the past few days could cause the rate of new planting to drop off, risking a "crisis of confidence" in the wood processing industry.

Mr Ronald Williams, of the Forestry Industry Committee of Great Britain, said he feared that there would be a hiatus of up to two years in the development of new forests as the new system was digested.

In last week's Budget, the Government announced the phasing out of tax incentives for tree planting by 1993, when forestry will be taken completely out of the tax system. But this week the Government said that the Forestry Commission is to increase grants for the planting of trees by between 50 and 75 per cent with 150 per cent increase in the grant for large-scale conifer planting.

Although large-scale planting of conifers is to be discouraged in England, the Government has reaffirmed its commitment to a national target of 33,000 hectares of new planting a year and there is no suggestion that the planting of conifers in Scotland and Wales for industrial use is no longer favoured.

Mr Williams welcomed the Government's reaffirmation of its policy for expanding forestry. But it would be some time before it became clear who was going to finance the continued expansion of planting, he said.

Abolition of the tax concessions meant that individuals with high incomes would no longer put money into forestry, he said. A new type of investor with large amounts of capital prepared to buy land, plant trees and watch them grow for at least 25 years before getting a return would have to emerge. It was not immediately clear who these investors would be.

But Mr John Firn, a leading consultant on forestry, said he believed that the wood processing industry would now begin investing in forestry to ensure continuity of supplies.

Large companies making paper and board were already considering it, he said. But much depended on land prices remaining stable.

Australia warns Japan on beef

BY CHRIS SHERWELL IN SYDNEY

JAPAN MUST liberalise its beef market or face legal action under the General Agreement on Tariff and Trade (Gatt), Mr John Kerin, Australia's Primary Industry Minister, will again tell the Tokyo Government during a visit

Speaking in Canberra ahead of his visit, Mr Kerin said both the US and Australia would be seeking compensation under the Gatt if Japan did not give their beef easier access.

Currently both Australian and US beef are subject to heavy tariffs and a complex quota system, which is due to expire at the end of this month.

On top of this, Australia has seen its share of the Japanese market decline, partly because its grass-fed beef suffers a higher rate of protection than grain-fed product from the US.

The Canberra Government's Bureau of Agricultural and Resource Economics estimates that Australia's share of Japanese imports has declined from 77 per cent in 1979 to less than 60 per cent now, largely as a result of the way the quota system operates.

"We want liberalisation of the Japanese market," Mr Kerin said yesterday. "We know there's a big demand there for lean beef. Let the market determine what beef should go in."

Australia also wanted to "redress the biases in the present arrangements," Mr Kerin said.

He reaffirmed his belief that the US genuinely wished to have full liberalisation of the Japanese market and would not seek its own bilateral deal at the expense of Australia.

One possible response from Japan may be simply to expand the size of the existing quotas, in effect retaining the basic arrangement. This is unlikely to be acceptable to either Australia or the US.

For Australia, one of the world's largest beef exporters, Japan is the second overseas market after the US, with sales worth around A$400m to 500m (£162m to £202m) a year.

The significance to Australia of the latest negotiations is underscored by the Government's belief that this could be doubled under a liberalised system. The current set of bilateral agreements has covered the trade since 1979.

Jute pact talks fail to reach consensus

BY SAYED KAMALUDDIN IN DHAKA

THE RECENT three-day meeting of the International Jute Council, the policy making body of the Dhaka-based International Jute Organisation, failed to reach consensus on the renegotiation of the agreement on jute and jute products.

It was agreed, however, that the matter would be discussed at the next meeting, to be held in New Delhi in November.

The agreement was signed in 1982 in Geneva, under the auspices of the United Nations Conference on Trade and Development, and went into effect on January 9, 1984 when the IJO was formally launched. The five-year agreement is set to expire on January 9 next year.

Originally the pact was to be part of the integrated programme for commodities agreed by Unctad in Nairobi in 1976, which envisaged the creation of a common fund to help the third world producing countries by promoting primary commodities and supporting prices.

That idea has not yet taken any concrete shape, however, and the IJO has become dependent on voluntary contributions of the industrialised consuming countries for funds to finance its projects.

The IJO consists of five producing countries and 26 consuming countries. The producers want the jute agreement to be organised along the lines of other international commodities pacts to protect the interest of jute internationally. But the industrialised consuming country members prefer that it should remain basically a research and development-oriented organisation.

A senior IJO official said that the organisation's objectives were to promote jute economy as a whole through technical programmes. "The IJO," he said "seeks to improve structural conditions in the jute market and enhance its competitiveness against synthetics."

It could not make much headway during its four years of existence, largely because of insufficient funding. It has to depend on a special account based on voluntary contributions from member countries and international development agencies for implementation of projects.

Lately, however, the situation seems to have been improving with the receipt of contributions totalling over $2m (£1.1m) for the current year, the official said.

WORLD COMMODITIES PRICES

LONDON MARKETS

ZINC PRICES continued their recent rise on the LME yesterday afternoon after a shaky start in morning trading, when attempts to break above previous highs failed. Three-month metal advanced £4.25 a tonne to close at £552.50, equivalent to $1,013 a tonne. Dealers said the move above £550 a tonne could signal further near-term gains. Aluminium prices manintained the firmer trend of the morning, closing just below the day's highs after some profit-taking. Copper prices continued to advance on chart inspired buying and some stop-loss operations. The movement in the afternoon was triggered by the Comex May contract breaching 100 cents a lb, traders said. Meanwhile, the Biffex dry cargo freight futures market tumbled sharply. The fall was seen as a healthy shake-out after the recent run-up to record highs, traders said. Cocoa prices rose on short-covering and fresh speculative buying.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.90-4.00w	+0.25
Brent Blend	$15.43-5.52y	+0.125
W.T.I.(1 pm est)	$16.70-6.75y	+0.1
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$165-168	+1
Gas Oil (Soviet)	$141-143	+5
Heavy Fuel Oil	$72-74	+4
Naphtha	$138-141	+2½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$452.00	+0.75
Silver (per troy oz)♣	664c	+3
Platinum (per troy oz)	$517.75	+6.5
Palladium (per troy oz)	$124.25	
Aluminium (free market)	$2685	-35
Copper (US Producer)	110⅝-15c	+1.5
Lead (US Producer)	35.5c	
Nickel (free market)	890c	+30
Tin (European free market)	£3750	+7.5
Tin (Kuala Lumpur market)	17.40r	
Tin (New York)	320.50c	+1
Zinc (Euro. Prod. Price)	$950	+30
Zinc (US Prime Western)	49⅝c	
Cattle (live weight)†	110.53p	-0.11*
Sheep (dead weight)†	193.28p	+8.98*
Pigs (live weight)†	67.40p	-2.71*
London daily sugar (raw)	$232.8s	-2.6
London daily sugar (white)	$240.5s	-1.5
Tate and Lyle export price	£233.0	-2.5
Barley (English feed)	£104.75	
Maize (US No. 3 yellow)	£135.5y	
Wheat (US Dark Northern)	£92.75s	
Rubber (spot)♥	62.30p	
Rubber (Apr) ♥	66.50p	
Rubber (May) ♥	66.50p	
Rubber (KL RSS No 1 Mar)	286.5my	
Coconut oil (Philippines)§	$507.5t	
Palm Oil (Malaysian)§	$380.0u	
Copra (Philippines)§	$350 0y	
Soyabeans (US)	£155.5	-1.5
Cotton "A" index	66.45c	-0.3
Wooltops (64s Super)	570p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. w-May. u-Apr/Sep. x-Apr/Jun. y-Apr. t-Jun/Jul. s-Apr/May.†Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian/Singapore cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	933	917	930 923
May	948	937	954 940
Jly	964	957	970 957
Sep	983	976	986 978
Dec	1004	998	1009 997
Mar	1026	1022	1032 1022
May	1049	1041	1050 1041

Turnover: 4805 (3850) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for March 23 : 1223.32 (1203.09) .10 day average for March 24 : 1214.81 (1218.01).

COFFEE £/tonne

	Close	Previous	High/Low
Mar	1097	1095	1104 1093
May	1127	1125	1139 1128
Jly	1150	1148	1162 1150
Sep	1177	1173	1187 1175
Nov	1200	1200	1206 1200
Jan	1220	1217	1230 1222
Mar	1243	1240	

Turnover: 2086 (2376) lots of 5 tonnes
ICO indicator prices (US cents per pound) for March 23: Comp. daily 1979 116.08 (115.51); 15 day average 117.88 (118.07).

SUGAR $ per tonne

Raw	Close	Previous	High/Low
May	197.80	197.40	203.20 195.60
Aug	195.40	197.00	201.80 195.00
Oct	195.60	196.80	201.60 194.00
Dec	196.20	196.00	201.00
Mar	194.60	196.40	199.60 194.20
May	196.20	198.00	197.60

White	Close	Previous	High/Low
May	236.00	237.00	241.00 235.20
Aug	236.50	238.00	241.10 236.00
Oct	237.00	237.50	240.00 234.50
Dec	237.50	236.00	240.00 236.00
Mar	237.50	237.50	241.00 236.50
May	238.00	239.00	239.00
Aug	241.00	242.00	240.00

Turnover: Raw 6546 (8297)lots of 50 tonnes; White 1057 (1140).
Paris- White (FFr per tonne): May 1380, Aug 1368, Oct 1370, Dec 1370, Mar 1385, May 1400

GAS OIL $/tonne

	Close	Previous	High/Low
Apr	138.50	133.50	139.25 136.00
May	135.75	130.50	136.00 133.25
Jun	136.25	130.75	136.25 133.25
Jul	135.00	130.25	136.50 133.50
Aug	138.50	131.00	

Turnover: 9826 (7491) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
May	103.85	103.75	104.25 103.85
Jly	106.10	105.85	106.40 106.00
Sep	100.50	100.15	100.50 100.15
Nov	102.30	101.80	102.30 101.60
Jan	104.55	104.30	104.55 104.05
Mar	106.35	106.15	106.35 106.00

Barley	Close	Previous	High/Low
May	104.25	103.65	104.25 104.00
Sep	97.25	97.35	97.35
Nov	100.15	100.25	100.05
Jan	102.40	102.50	102.40
Mar	104.15	104.25	104.35

Turnover: Wheat 148 (150) , Barley 69 (34) lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 0 tonne
Cash	2725-35	2660-80		2675-85		
3 months	2365-75	2335-45	2390/2370	2340-60	2350-70	3,808 lots
Aluminium 99.5% purity (£ per tonne)						Ring turnover 13,250 tonne
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Grade A (£ per tonne)						[illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Copper, Standard (£ per tonne)						[illegible]
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]		[illegible]
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	[illegible]	[illegible]		[illegible]		
3 months	[illegible]	[illegible]		[illegible]	[illegible]	[illegible]
Lead (£ per tonne)						[illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						[illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zinc (£ per tonne)						[illegible]
Cash	[illegible]	[illegible]	[illegible]	[illegible]		
3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES £/tonne

	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

Turnover: [illegible]

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Apr	[illegible]	[illegible]	[illegible]
Jly	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
BFI	[illegible]	[illegible]	

Turnover: [illegible]

FRUIT AND VEGETABLES

[illegible]

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
[illegible]	[illegible]	[illegible]

Coins	$ price	£ equivalent
[illegible]	[illegible]	[illegible]

Silver fix	p/fine oz	US cts equiv
[illegible]	[illegible]	[illegible]

LONDON METAL EXCHANGE TRADED OPTIONS

	Calls	Puts
[illegible]	[illegible]	[illegible]

US MARKETS

Precious metals continued to derive strength from underlying inflation fears, reports Drexel Burnham Lambert. Fund, speculative and local buying initially took the markets higher, touching off stops, but trade profit-taking saw prices ease in mid-morning. Silver then led the way towards the close as trade, commission house and technical buying pushed values higher. Copper firmed on trade and fund buying as prices moved to the top of the recent range where profit-taking held the advance. However, fresh buying emerged touching off stops, as the market rallied further towards the close. Crude oil opened sharply higher on follow-through buying from yesterday's strength, but fund profit-taking knocked the market back to yesterday's closing levels. Heating oil, on the other hand, eased in anticipation of warmer weather in the U.S. northeast. Coffee eased on speculative liquidation, cocoa rallied on trade and commission house short-covering in the face of light Brazilian and Ecuadorean price-fix selling. Sugar rallied initially on reports of a sizeable tender by Venezuala, but producer and trade selling took prices lower.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Mar	454.1	451.1	452.4	452.4
Apr	454.3	452.0	457.4	451.3
Jun	458.7	456.4	462.0	455.5
Aug	463.2	460.9	466.0	459.5
Oct	468.1	465.8	470.3	465.5
Dec	473.1	470.9	476.5	470.3
Feb	478.3	476.0	0	0
Apr	483.6	481.5	485.5	482.0
Jun	489.3	487.0	490.5	489.5

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Mar	512.2	513.5	0	0
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
May	16.92	16.86	17.10	16.74
Jun	16.79	16.76	16.99	16.60
Jul	16.70	16.69	16.93	16.55
Aug	16.70	16.63	16.85	16.55
Sep	16.60	16.59	16.75	16.55
Oct	16.56	16.56	16.75	16.50
Nov	16.45	16.53	16.55	16.45
Dec	16.50	16.50	16.65	16.40
Jan	16.40	16.47	16.70	16.35
Feb	16.66	16.44	0	0

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Apr	47.80	47.73	48.40	46.80
May	45.75	45.80	46.40	44.80
Jun	44.85	44.81	45.35	44.10
Jul	44.70	44.43	44.95	44.00
Aug	45.10	44.83	45.40	44.50
Oct	46.25	46.08	46.25	46.25
Nov	47.00	46.78	47.00	47.00
Dec	47.60	47.48	47.60	47.60
Jan	47.90	47.82	47.90	47.90

COCOA 10 tonnes;$/tonnes.

	Close	Previous	High/Low	
May	1605	1592	1611	1590
Jul	1631	1616	1638	1618
Sep	1662	1646	1666	1653
Dec	1694	1682	1700	1686
Mar	1730	1717	1735	1722
May	1751	1740	1747	1747
Jul	1774	1763	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	133.40	133.96	134.50	133.10
Jul	135.43	135.90	136.75	135.25
Sep	137.43	137.85	138.40	137.25
Dec	139.88	140.25	140.75	140.00
Mar	141.01	140.75	141.75	141.25
May	141.51	142.00	0	0
Jul	142.00	142.50	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	8.82	8.87	9.08	8.73
Jul	8.73	8.78	9.00	8.68
Oct.	8.70	8.78	8.96	8.65
Jan	8.75	8.78	0	0
Mar	8.70	8.75	8.92	8.70
May	8.78	8.75	8.90	8.90
Jul	8.65	8.73	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	649/2	639/6	652/0	637/4
Jul	656/4	646/0	660/0	645/6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and dollar lose ground

STERLING FAILED to attract sufficient demand to push through the DM3.11 level in currency markets yesterday. After a quiet morning, which saw the pound hovering around DM3.1075, investors gave vent to their disappointment by selling the pound during the afternoon, down to a low of DM3.0925. It closed at DM3.0950, against DM3.1050 on Wednesday.

The decline was reflected in the pound's exchange rate index, which fell to 77.1 at the close, having been steady for most of the day around the opening level of 77.3, unchanged from Wednesday. Dealers saw no evidence of any intervention by the Bank of England.

Against the dollar, sterling rose to $1.8435 from $1.8355 but lost ground elsewhere to Y231.75 from Y232.75 and SFr2.5600 compared with SFr2.5650. It fell against the French franc to FFr10.5225 from FFr10.5450.

Sentiment was also affected ahead of UK statistics due for release today. If February's retail prices show the expected fall in inflation, analysts argued, the decline would highlight a widening gap between interest rates and inflation rates. Mr Neil MacKinnon of Nomura Research Institute, suggested that this, and the recent fall in equities, could put more downward pressure on interest rates.

However the possibility of lower mortgage rates and their impact on consumer spending, via an increase in disposable incomes, could increase fears of overheating later this year, he added.

Mr Mackinnon agreed that interest rates threatened to follow the path of a roller coaster, but that " at the moment, the market does not know what part of the track it is on."

UK trade figures for February are also due for release today, and are forecast to show an improvement over January's current account deficit of £905m. However with further distortions expected, because of a change in documentation procedures, some dealers stressed that the market would be as much in the dark after the figures are known, as before.

The dollar was also weak, as investors continued to switch funds into the Japanese yen. Overnight intervention by the Bank of Japan had failed to prevent the US unit from breaking through important support levels at Y126.80 and Y126.50. It touched a low of Y125.60 in London, before closing at Y125.70, down from Y126.80. Against the D-Mark it slipped to DM1.6790 from DM1.6910. Elsewhere it finished at SFr1.3885 from SFr1.3975 and FFr5.7075 compared with FFr5.7450. On Bank of England figures, the dollar's exchange rate index fell to 93.4 from 93.8.

US data on consumer spending and personal income, which showed rises in February of 0.7 p.c. and 0.9 p.c. respectively, compared with a common increase of 0.3 p.c. in January, were towards the top end of expectations, but had little effect on trading.

JAPANESE YEN-Trading range against the dollar in 1987/88 is 159.45 to 121.35. February average 129.17. Exchange rate index 244.0 against 221.7 six months ago.

The yen rose to its highest level this year against the dollar, despite intervention by the Bank of Japan. The dollar broke through support levels to finish at Y126.30, down from Y126.85 in New York and Y127.15 in Tokyo on Wednesday.

Official selling of the yen was detected at Y126.80, but the dollar continued to fall. Once it broke through Y126.50, a wave of dollar selling developed, pushing the US unit to a low of Y126.15.

£ IN NEW YORK

Mar.24	Latest	Previous Close
£ Spot	1.8450-1.8460	1.8365-1.8375
1 month	0.30-0.28pm	0.30-0.26pm
3 months	0.79-0.75pm	0.80-0.75pm
12 months	2.77-2.67pm	2.80-2.70pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Mar.24	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.3752	+2.16	+0.93	±1.5344
Danish Krone	7.85212	7.94638	+1.20	-0.03	±1.5404
German D-Mark	2.05853	2.07271	+0.69	-0.54	±1.0981
French Franc	6.90403	7.04493	+2.04	+0.81	±1.3674
Dutch Guilder	2.31943	2.32851	+0.39	-0.84	±1.5012
Irish Punt	0.768411	0.775119	+0.87	-0.36	±1.6684
Italian Lira	1483.58	1535.53	+3.50	+2.82	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT- FORWARD AGAINST THE POUND

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Gilts rally as shares fall

A STRONG reciprocal relationship between gilts and equities was evident on the futures market yesterday.

Share prices fell on speculation of a rush by companies to raise money through the stock exchange. The FTSE 100 index fell sharply, through 1,800, and traders saw an increased attraction in gilts.

June long term gilts opened lower at 121-27 on Liffe, and fell to a low of 121-14, before recovering as share prices fell. Traders said that the market in FTSE futures was very nervous, and that investors were wary of being long in the market, with the October crash still fresh in the memory.

At the same time, dealers also feared there was a danger in looking for any strong upward potential in long term gilts. Mr Nick Parsons, at Union Discount, said if sterling falls the markets will fall and that if the pound rises the markets will also fall, because of the threat of rising inflation from a forced cut in interest rates.

But he also questioned whether investors were prepared to tussle with the Bank of England to obtain another rise in sterling, and bring about a base rate cut.

Long gilt futures moved up in late trading, as equities fell, to close at 121-25 for June delivery, but still below Wednesday's close.

Today's announcement of the UK trade figures for February will be looked at for further guidance.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
116	562	—	12	—
118	416	—	30	—
120	251	—	101	—
122	142	—	156	—
124	57	—	307	—
126	27	—	441	—
128	12	—	626	—

Estimated volume total, Calls 2293 Puts 1641
Previous day's open int. Calls 30168 Puts 21835

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Jun	Calls-settlements Sep	Puts-settlements Jun	Puts-settlements Sep
84	637	618	25	106
86	453	457	41	145
88	320	344	108	232
90	162	239	150	327
92	107	153	259	441
94	36	116	424	604
96	18	52	606	740

Estimated volume total, Calls 64 Puts 243
Previous day's open int. Calls 1125 Puts 1550

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Apr	Puts-settlements Mar	Puts-settlements Apr
16500	1360	1528	0	28
17000	860	1085	0	85
17500	360	705	0	205
18000	0	413	140	413
18500	0	216	640	716
19000	0	99	1140	1099
19500	0	40	1640	1540

Estimated volume total, Calls 60 Puts 7
Previous day's open int. Calls 77 Puts 168

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Jun	0.7261	0.7269	0.7252	0.7234
Sep	0.7350	0.7359	0.7347	0.7324
Dec	0.7450	0.7455	-	0.7417
Mar	-	-	-	0.7512

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Jun	266.30	267.30	265.60	270.40
Sep	267.95	268.60	267.50	272.15
Dec	269.70	269.80	269.30	273.50
Mar	271.20	-	271.20	275.00

MONEY MARKETS

London rates steady

THERE WAS little change in interest rates on the London money market yesterday, as dealers watched the rather poor performance of sterling on the foreign exchanges, and waited for today's news on UK trade and retail prices.

Three-month interbank was quoted at 8$\frac{11}{16}$-8$\frac{9}{16}$ p.c., compared with 8$\frac{11}{16}$-8$\frac{9}{16}$ p.c. on Wednesday, while one-year money rose to 9$\frac{1}{16}$-9$\frac{1}{16}$ p.c. from 9$\frac{1}{16}$-9$\frac{1}{16}$ p.c. in a defensive manoeuvre ahead of the trade figures.

The City generally expects an improvement in the February figures, from a record trade deficit of £1.51n in January and a current account shortfall of £905m. It is also hoped the year-on-year inflation rate will ease slightly from January's level of 3.3 p.c.

UK clearing bank base lending rate
8½ per cent
from March 17

The Bank of England forecast a money market shortage of £850m, and provided total assistance of £637m.

An early round of help was offered, and at that time the authorities bought £23m bank bills in band 1 at 8⅝ p.c.

Before lunch a further £50m bills were purchased, by way of £40m bank bills in band 1 at 8⅝ p.c., and £10m bank bills in band 2 at 8⅝ p.c.

In the afternoon the Bank of England bought £344m bills, through £276m bank bills in band 1 at 8⅝ p.c., and £68m bank bills in band 2 at 8⅝ p.c. Late assistance of £220m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £978m, with a rise in the note circulation absorbing £80m, and bank balances below target £30m. These outweighed Exchequer transactions adding £220m to liquidity.

In Frankfurt call money was steady at around 3.25 p.c., with banks adequately supplied with liquidity. Longer term rates were also little changed, as the market is convinced the Bundesbank intends to keep rates from rising, and prevent upward pressure building on the D-Mark.

Banks appear to have ample funds to meet end of month and end of quarter demands. Several factors have combined recently to drain money from the banking system, but the Bundesbank has made generous allocations of funds, through this week's securities repurchase agreement tender, and via money from state owned banks.

Drains on liquidity have come from monthly tax and pension payments, plus the settlement of DM3.2bn for a Federal Government bond.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

$ WORLD VALUE OF THE DOLLAR
BANK OF AMERICA GLOBAL TRADING ECONOMICS DEPT., LONDON

The table below gives the latest available rate of exchange for the U.S. dollar against various currencies as of Wednesday, March 23, 1988. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions. Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America Global Trading, London,
New York, Tokyo, San Francisco, Los Angeles, Toronto.
24-hours a day trading capability.
Enquiries: 01-634 4360/5. Dealing: 01-236 9861.

ECU=$US1.22487 SDR1=$US1.36813
As of March 23 at 11.00a.m.

	3 months	6 months
Eurodollar Libor:	6⅞	7⅛
Sibor:	6⅞	7⅛

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani	50.60(o)
Albania	Lek	5.4996
Algeria	Dinar	5.194
Andorra	French Franc / Spanish Peseta	5.751 / 113.28
Angola	Kwanza	29.918
Antigua	E. Caribbean$	2.70
Argentina	Austral	5.045
Aruba	Florin	1.79
Australia	Australian$	1.3486
Greenland	Danish Krone	6.5045
Grenada	E. Caribbean $	2.70
Guadaloupe	Local Franc	5.751
Guam	U.S. $	1.00
Pakistan	Pakistan Rupee	17.644
Panama	Balboa	1.00
Papua New Guinea	Kina	0.883

EUROPEAN OPTIONS EXCHANGE

Series		May 88 Vol	May 88 Last	Aug. 88 Vol	Aug. 88 Last	Nov. 88 Vol	Nov. 88 Last	Stock
GOLD C	$440	46	24	10	34.50	119	42.50	$452.80
GOLD C	$460	172	13 A	15	24 A	103	32.50	$452.80
GOLD C	$480	337	5.20	13	14.50	19	21	$452.80
GOLD C	$500	718	2.40	–	–	–	–	$452.80
GOLD P	$420	51	2	227	5.50	30	7.50	$452.80
GOLD P	$440	66	5	21	8.20	10	13	$452.80
GOLD P	$460	50	12 B	5	16	–	–	$452.80
		Apr. 88		May 88		Jun. 88		
EOE Index C	Fl. 185	4	23 A	50	21.50 A	–	–	Fl. 207.77
EOE Index C	Fl. 190	70	17	10	18 A	–	–	Fl. 207.77
EOE Index C	Fl. 195	41	13	31	14	–	–	Fl. 207.77
EOE Index C	Fl. 200	163	9.80	45	10.50	–	–	Fl. 207.77
EOE Index C	Fl. 205	103	7.50	2	9.50 A	–	–	Fl. 207.77
EOE Index C	Fl. 210	99	5	125	6	8	9 A	Fl. 207.77
EOE Index C	Fl. 215	91	3	34	5.30	5	7 A	Fl. 207.77
EOE Index P	Fl. 185	57	0.70	13	3	–	–	Fl. 207.77
EOE Index P	Fl. 190	53	1.50 A	24	5	–	–	Fl. 207.77
EOE Index P	Fl. 195	276	2.50	230	7	–	–	Fl. 207.77
EOE Index P	Fl. 200	406	4.20	124	9	68	9.80 B	Fl. 207.77
EOE Index P	Fl. 205	105	6.30	158	11	8	12.50	Fl. 207.77
EOE Index P	Fl. 210	390	9	310	14	17	16.50	Fl. 207.77
$/Fl C	Fl. 195	1223	0.50	–	–	1	1.50	Fl. 188.83
$/Fl P	Fl. 190	44	2.70	–	–	–	–	Fl. 188.83
		Apr. 88		Jul. 88		Oct. 88		
ABN C	Fl. 40	504	1.30	127	2.60	30	2.90	Fl. 40.40
ABN P	Fl. 40	48	1	78	2.80	71	4.50	Fl. 40.40
AEGON C	Fl. 80	–	–	137	1.20	5	2.50	Fl. 71
AEGON P	Fl. 70	36	2.30	43	4	5	5 B	Fl. 71
AHOLD C	Fl. 75	41	1	125	2.50 A	7	4	Fl. 69.70
AHOLD P	Fl. 70	62	2.50	42	4.30	–	–	Fl. 69.70
AKZO C	Fl. 110	813	2.40	359	5.80	42	8.70	Fl. 107.60
AKZO P	Fl. 100	141	1.20	184	5.50	25	8	Fl. 107.60
AMEV C	Fl. 60	275	1.10	325	2.50	66	3.50 A	Fl. 54.80
AMEV P	Fl. 55	39	3	10	5.30	10	6	Fl. 54.80
AMRO C	Fl. 70	390	2 B	190	3.40	166	4	Fl. 70
AMRO P	Fl. 70	58	2	56	5	47	6.50	Fl. 70
BUHRMANN-T C	Fl. 50	115	0.70	189	1.50	9	2.80	Fl. 45.40
BUHRMANN-T P	Fl. 45	14	1.20	38	3.10 B	2	4	Fl. 45.40
ELSEVIER C	Fl. 55	140	0.70	248	2.10	10	3.90	Fl. 50.80
ELSEVIER P	Fl. 50	214	1.20	25	3	33	4.50	Fl. 50.80
GIST-BROC. C	Fl. 35	359	1	442	2.60	148	4	Fl. 34.40
GIST-BROC. P	Fl. 35	202	1.70	42	3.30	70	4	Fl. 34.40
HEINEKEN C	Fl. 140	145	1.40 B	70	5	3	6.50	Fl. 129
HEINEKEN P	Fl. 130	66	4.50	24	8.50	–	–	Fl. 129
HOOGOVENS C	Fl. 40	304	1.60	437	3	79	3.20	Fl. 37.10
HOOGOVENS P	Fl. 35	94	1.20	18	2.50	37	3	Fl. 37.10
KLM C	Fl. 35	1850	2.50	491	3.60	376	4	Fl. 36.50
KLM P	Fl. 35	297	0.90	487	2.30	162	3.70	Fl. 36.50
KNP C	Fl. 140	83	2	59	5	10	8	Fl. 136
KNP P	Fl. 100	–	–	50	1.10	10	2	Fl. 136
NEDLLOYD C	Fl. 210	172	6 B	55	16.50	26	21	Fl. 205
NEDLLOYD P	Fl. 220	90	10 B	15	19 B	3	22 B	Fl. 205
NAT.NED. C	Fl. 65	15	0.30	231	1.40	14	2.40	Fl. 58
NAT.NED. P	Fl. 55	37	1	78	2.50	7	4 B	Fl. 58
PHILIPS C	Fl. 30	602	0.70	215	1.40	77	2.30	Fl. 28.80
PHILIPS P	Fl. 30	67	2.80	199	3.70	52	3.90	Fl. 28.80
ROYAL DUTCH C	Fl. 230	790	3.10	362	6	64	8	Fl. 228
ROYAL DUTCH P	Fl. 220	265	1.90	85	9	14	13.50	Fl. 228
UNILEVER C	Fl. 120	427	1.10	289	4.60	49	6.10 B	Fl. 113.90
UNILEVER P	Fl. 110	227	2.50	150	6.20	22	7.50 B	Fl. 113.90

TOTAL VOLUME IN CONTRACTS : 46,177

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

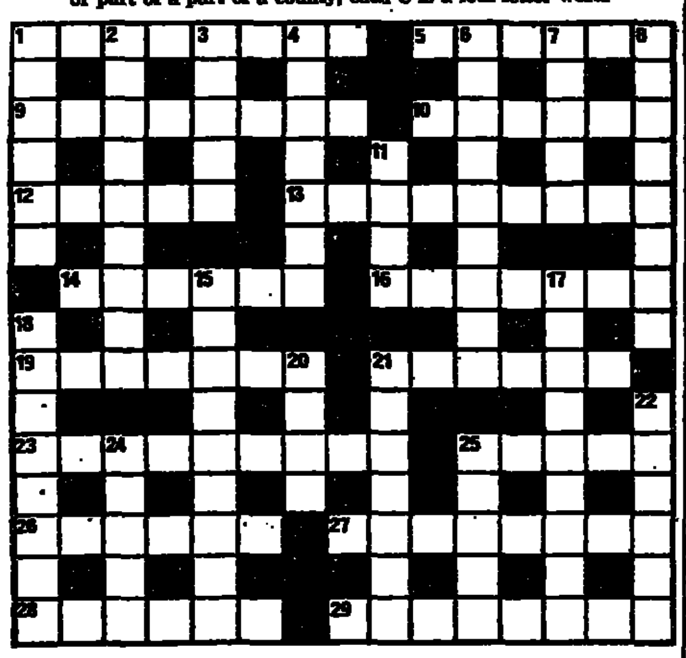
	%		%		%
ABN Bank	8½	Citibank NA	8½	Nat Bk. of Kuwait	8½
Adam & Company	8½	City Merchants Bank	8½	NatWestminster	8½
AAB - Allied Arab Bk	8½	Clydesdale Bank	8½	Northern Bank Ltd	8½
Allied Irish Bank	8½	Comm. Bk. N. East	8½	Norwich Gen. Trust	8½
Henry Ansbacher	8½	Consolidated Cred	8½	PK Finans. Intl(UK)	9
ANZ Banking Group	8½	Co-operative Bank	*8½	Provincial Bank PLC	9½
Associates Cap Corp	10	Cyprus Popular Bk	8½	R. Raphael & Sons	8½
Authority Bank	8½	Dunbar Bank PLC	8½	Roxburghe G'rantee	10
B & C Merchant Bank	8½	Duncan Lawrie	8½	Royal Bk of Scotland	8½
Banco de Bilbao	9½	Equatorial Bank plc	9	Royal Trust Bank	8½
Bank Hapoalim	8½	Exeter Trust Ltd	9	Smith & Williamson Secs.	8½
Bank Leumi (UK)	8½	Financial & Gen. Sec	8½	Standard Chartered	8½
Bank Credit & Comm	8½	First Nat. Sec. Ltd.	9½	TSB	8½
Bank of Cyprus	8½	● Robert Fleming & Co.	8½	*UDT Mortgage Exp*	‡10.2
Bank of Ireland	8½	Robert Fraser & Ptnrs.	9½	United Bk of Kuwait	8½
Bank of India	8½	Girobank	8½	United Mizrahi Bank	8½
Bank of Scotland	8½	Grindlays Bank	8½	Unity Trust Bank Plc	8½
Banque Belge Ltd	8½	● Guinness Mahon	8½	Western Trust	8½
Barclays Bank	8½	HFC Trust & Savings	8½	Westpac Bank Corp.	8½
Benchmark Bank PLC	8½	● Hambros Bank	8½	Whiteaway Laidlaw	9
Berliner Bank AG	8½	*Heritable & Gen Inv Bk*	8½	*Yorkshire Bank*	8½
Brit. Bk of Mid East	8½	● Hill Samuel	§8½		
● Brown Shipley	8½	C. Hoare & Co.	8½		
Business Mtge Tst.	9	Hongkong & Shangh	8½		
CL Bank Nederland	8½	Lloyds Bank	8½		
Central Capital	8½	Meghraj Bank Ltd	8½		
● Charterhouse Bank	8½	Midland Bank	8½		
		● Morgan Grenfell	8½		
		Mount Bnkg Corp.	8½		

● Members of the Accepting Houses Committee. * 7 day deposits 3.50% Savewise 6.16%. Top Tier-£2,500+ at 3 months' notice 7.81%. At call when £10,000+ remains deposited. ‡ *Mortgage base rate.* § *Demand deposit* 3.50%. Mortgage 9.625% - 10%

FT CROSSWORD No.6,590

SET BY CINEPHILE

C in the clues signifies a county, maybe abbreviated, or part of a county, or part of a part of a county; each C is a four-letter word.



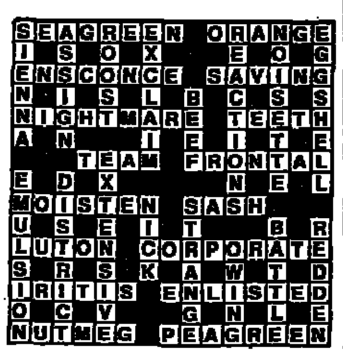
ACROSS

1 Northern C in fate, missing for ages (4-4)
5 Fights for inferior food? (6)
9 C in wood, full of eyes? (8)
10 An attempt by painters to produce wool (6)
12 Material used in New York and London (5)
13 Friend's house, possibly golden, without knowledge (3-6)
14 Mothers come to the club (6)
16 Ovid was translated: say it wasn't you! (7)
19 Brother in oriental tree under temple (7)
21 Queen's speech in demagogue's style? More likely knight's! (6)
23 Catcher, if necessary, for C in riotous feast.....(6,3)
25 .....use oath on southern C (5)
26 Give money to contribute to Henri Chirac (6)
27 Old oath suitable about one after C (1,3,2,2)
28 Make aimless designs: benefit includes the same the other way (6)
29 Model tree for C in USSR (8)

DOWN

1 Flower (oriental) belonging to pack member (6)
2 Sodium vessel, about a pound, at fleet HQ (5,4)
3 Small boy at home, name of Ulyanov (5)
4 Trigonometrical ratio to end indefinitely (4,3)
6 Portrayal of screen don who makes a summary? (9)
7 A C is a seed.....(5)
8 .....C in pigs or birds (8)
11 Old silver for journalist (4)
15 Unorthodox C with stray cat I left.....(see 24) (9)
17 I leave Venice without a tree: the Lord said it was his (9)
18 Resting place for C on wrong date (8)
20 Signal success for a king (4)
21 Rightness of heart, for example? City headgear's first (7)
22 Mild oath when doctor gets a bird (4,2)
24 (see 15).....Destroy (in ancient fashion) C with love (5)
25 Part of the Pastoral Symphony? (5)

Solution to Puzzle No.6,589



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or –	Yield Gross
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scimitar Global Gth Ac.	29.5	31.4	-0.4	–
Do. Income	29.3	31.2	-0.4	0.19
Scimitar European Acc.	21.0	22.4	-0.3	–
Do Income	21.0	22.4	-0.3	0.11
Scimitar UK Eq Inc Acc.	35.7	37.6	-1.1	–
Do Income	33.4	35.2xd	-1.0	5.56
UK Cap Gth Acc.	24.8	26.2	-0.6	0.75
Scimitar Pac Basin Acc.	29.9	31.9	-0.8	–
Scimitar Mngd Exempt	143.2	149.2xd	+0.3	–

Scottish Equitable Fund Mgrs. Ltd(z)
28 St Andrews Sq, Edinburgh 031-558 1052

Intnl Income Units	131.3	139.7	–	3.18
Intnl Accum Units	200.9	213.7	–	3.18
UK General Acc	38.1	40.6	-0.6	3.38
UK General Inc	36.7	39.1	-0.6	3.38
American	27.6	29.4	-0.1	2.13
European	35.2	37.5	+0.3	1.26
Japan	57.8	61.6	-0.1	0.83
Technology	34.9	37.2xd	-0.1	2.29
Performance Trusts				
Far East Perf Tst	19.1	20.4	–	2.00
High Inc Perf Tst Inc	24.2	25.8	-0.2	5.56
High Inc Perf Tst Acc	24.7	26.3	-0.2	5.56
Worldwide Tact Perf Tst	28.3	30.3	-0.1	2.71

Scottish Life Investments(z)
19 St Andrew Sq, Edinburgh 031-225 2211

Nelson (UK)	211.1	225.0	-3.7	2.70
Columbus (US)	131.7	140.9	+0.4	1.28
Marco Polo (Pac)	216.2	231.3	-0.6	0.20
Da Vinci (Eur)	225.8	241.5	+1.1	1.29
Drake (Wwd)	53.1	56.8	-0.4	2.78

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 6100

UK Equity	204.6	217.7	-2.8	2.50
UK Smlr Cos. Equity	212.3	225.9	-1.3	1.96
UK Special Situations	61.5	65.5	-0.3	3.17
Income Plus	52.9	56.3	-0.4	5.62
European	162.6	173.0	+0.1	1.09
Far Eastern	53.6	57.1	-0.1	1.84
Japanese	55.3	58.9	-0.1	–
North American	113.1	120.4	-0.6	1.56
International Growth	109.2	116.2	-0.2	1.33
Worldwide Venture	53.2	56.6	-0.4	3.04

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4355

TUUT Mar 1	212.5	223.7xd	–	3.22

Triton Fd Mngrs. Ltd.
Royal Lds. Hse. Colchester CO1 1NA 0206 754900

Triton General	147.7	158.9	-3.5	1.55

Tyndall Unit Trust Managers Limited
25 Bucklersbury, London EC4N 248 3999

Convertible & General	60.2	63.8	-0.3	6.09
Accum Units	61.9	65.7	-0.2	6.09
Income	80.7	85.5	-0.7	4.37
Accum Units	80.7	85.5	-0.7	4.37
Smaller Co's	83.3	88.3xd	-2.7	1.89
Accum Units	84.1	89.2	-2.7	1.89
UK Growth	84.6	88.9xd	-2.3	2.26
Accum Units	85.7	90.1	-2.3	2.26
Pacific Gold Tst Acc	47.7	50.5	–	–

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 48053

British Growth Fd	60.0	63.9	–	1.47
Technical Analysis Fd	49.7	52.9	-0.9	3.45

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064
Advisors: Henderson Crosthwaite Ltd

Friars Hse Cap Fd	182.7	194.4	–	1.57
Friars Hse Inc Fd	151.4	159.4	–	5.44

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

United Charities	170.3	181.7	-2.1	4.64

Vanguard Trust Managers Ltd (z)
65 Holborn Viaduct, London EC1A 2EU 01-236 3053
Dealing Line: 01-236 2468

Charities	182.8	194.5xd	–	1.54
(Accum Units)	187.0	198.9	–	1.54
Far East & Gen	55.3	58.8	-0.2	–
(Accum Units)	55.3	58.8	-0.2	–
Master Portfolio	67.321	69.047	-0.058	2.99
(Accum Units)	69.186	70.960	-0.058	2.99
American & Gen	56.0	59.6xd	-0.2	1.73
(Accum Units)	57.5	61.2	-0.2	1.73
Growth	213.8	227.4xd	-0.4	2.04
(Accum Units)	322.5	343.1	-0.5	2.04
High Yield	273.5	291.0	-1.7	4.33
(Accum Units)	293.4	312.1	-1.8	4.33
Special Sits.	53.4	56.8	-0.1	1.80
(Accum Units)	55.1	58.6	-0.1	1.80
Trustee	161.1	171.4xd	-0.3	3.97
(Accum Units)	261.5	278.2	-0.6	3.97

Scottish Provident Inv. Mgt. Ltd

[illegible]

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941
Life Assurance Funds

Wealth Assur.	385.0	405.3	----	-
Eb'r Ph. Eq.	341.0	362.5	----	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	166.6	175.3	-2.0	-
International Acc.	128.1	134.8	-0.4	-
Property Acc.	125.7	132.3	+0.1	-
Fixed Interest Acc.	155.3	163.4	-0.3	-
Money Acc.	137.4	144.6	----	-
Bldg. Soc. Link Acc.	134.6	141.6	----	-
Special Mngd. Acc.-Q.	147.5	155.2	-1.0	-
Phoenix/Framlington				
Intnl. Growth Acc.	88.8	93.4	-0.4	-
Amer. & Gen. Acc.	82.2	86.5	+0.2	-
Capital Tst. Acc.	176.5	185.7	----	-
Japan & Gen Acc.	183.4	193.0	+1.4	-
American Turn. Acc.	85.2	89.6	----	-
Recovery Tst. Acc.	172.1	181.1	----	-
Special Mngd Acc.	144.7	152.3	-0.1	-
Phoenix/GT				
International Acc.	121.5	127.8	-0.2	-
US & General Acc.	89.7	94.4	----	-
Amer Spec Sits Acc.	65.3	68.7	----	-
Japan & General Acc.	175.7	184.9	-0.4	-
Far East & Gen. Acc.	139.6	146.9	+0.3	-
UK Capital Acc.	174.8	184.0	-0.8	-
European Acc.	132.7	139.6	-1.6	-
Special Mngd. Acc.	126.4	133.0	-0.5	-

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd, N. Waterloo, Liverpool 051-928 6655

Managed Fund	267.7	281.8	----	-
Man Pens Inc & Cap Fds.	343.0	361.1	----	-
Money Fund	111.7	117.6	----	-
Pens. Mngd Fd (bid)	85.4	89.9	----	-

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987/88 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102¼	[illegible]	Exch 10½pc '88	[illegible]	.....	10.48	8.53
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.73	8.46
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]	.....	3.03	6.64
101½	[illegible]	Treas. 9½pc '88	100½	.....	9.45	8.60
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.23	8.69
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.42	8.67
[illegible]	89¼	Treas 3pc 1989	[illegible]	.....	3.12	6.58
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.30	8.78
[illegible]	[illegible]	Exch 10pc 1989	101½	[illegible]	9.85	8.79
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	.....	10.67	8.77
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.20	7.58
[illegible]	[illegible]	Exch 10¼pcCv '89	[illegible]	[illegible]	9.87	7.67
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.16	8.77
106½	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.61	8.81
[illegible]	[illegible]	Exch. 12¼pc 1990	[illegible]	[illegible]	11.74	8.87
[illegible]	[illegible]	Treas. 3pc 1990	92½	[illegible]	3.25	6.39
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	99¼	.....	8.32	8.64
102¼	98	Treas. 8pc Cv 1990	[illegible]	[illegible]	7.92	7.51
105	97½	Treas. 10pcCv 1990	[illegible]	[illegible]	9.75	8.89
[illegible]	[illegible]	Exch 2½pc 1990	90	[illegible]	2.78	6.71
110½	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.00	8.92
[illegible]	87¼	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.11	8.00
[illegible]	80¼	Treas. 3pc 1991	[illegible]	[illegible]	3.38	7.06
110¼	98½	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	9.59	8.47
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.35	8.92
99	[illegible]	Treas. 8pc 1991	97¼	[illegible]	8.22	8.86
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	11.39	8.98
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.67	8.95
99½	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]	[illegible]	8.24	8.87
[illegible]	99½	Treas 10¼pc Cv 1992‡‡	[illegible]	[illegible]	10.00	9.02
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.52	7.14
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.00	9.05

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Financial

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Contd

1987/88 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
44⅝	21⅝	Sun Co. Inc. $1	31⅝xd	−⅛	$3.00	–	5.2
42¼	22¼	TRW Inc. 62½c	27⅝xd	−¼	h$1.60	–	3.2
37¾	21	Tenneco $5	23⅝xd	−⅜	$3.04	–	7.0
220	149½	Do. 10pc Ln.Stk. 91-5	155	.....	10%	–	f4.7
29⅝	15⅞	Texaco $6.25	25⅞	+⅜	$3.00	–	6.5
74⅛	36⅛	Time Inc. $1	49⅞	−⅝	$1.00	–	1.1
30¼	15	Transamerica $1	19	−½	$1.84	–	5.3
14⅝	1¼	Transworld Corp $5	10	.....	20c	–	1.1
27⅛	12¼	TRINOVA Corp.	18⅛	.....	56c	–	1.7
24⅞	12⅝	♦USX $1	17⅛	+¼	$1.20	–	3.8
37⅞	16¼	Utd. Technologies	22⅞	+⅛	$1.40	–	3.3
38⅝	25⅞	US West‖	29¼	+⅛	$3.28	–	6.1
30½	17⅛	Waste Management $1	19⅞xd	−⅛	36c	–	1.0
31⅞	11⅝	Whirlpool $1	15⅛	.....	–	–	–
37⅛	16½	♦Woolworth $3½	25⅜	−½	$1.32	–	2.8

CANADIANS

High	Low	Stock	Price	+ or −	Div Gross	C'vr	Y'ld Gr's
691p	213½p	ABM Gold Corp ‖	223½p	−1	–	–	–
32p	10p	♦Abbot Energy Corp.	25¼p	.....	–	–	–
18⅛	506p	♦Amer Barrick Res.	11½	.....	–	–	–
141p	3½p	American Lightwave	4⅞p	+⅛	–	–	–
122p	25p	♦Armeno	26½p	−3½	–	–	–
117p	39½p	Augmitto Expln.	51½p	−2½	–	–	–
19⅜	10⅝	Bk. Montreal ¶	11⅞	−⅛	$2.00	–	7.4
10½	488p	Bk Nova Scot.‖	580p	.....	72c	–	5.5
20⅝	15	BCE ‖	16⅞xd	.....	$2.44	–	6.4
10⅜	511p	♦Bow Valley‖	611p	+20	♦40c	–	2.9
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Contd

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£22¼	£12½	Torchmark $1.00	£16	—	Q$1.00	—	3.4	—
410	235	Trade Indemnity	342	–5	5.6	—	2.0	—
£34	£17¾	Travelers $1.25	£25½	–⅛	$2.40	—	6.7	—
£30¼	£15¼	USF & G Corp $2.50	£17½	–¼	Q$2.64	—	8.3	—
£33¼	£15½	USLIFE Corp. $1.0	£20	—	Q$2.28	3.2	3.5	8.9
738	495	Wind Friendly B 10p	560	+5	21.0	—	5.1	—
464	192	Willis Faber 12½p	208	–2	†10.75	2.4	7.3	7.9
128	41	Windsor Secs. 10p	60	–1	0.8	♦	1.8	♦

LEISURE

1987/88 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
35½	8	A & M Group 10p	8½	–½	—	—	—	—
242	77	Airtours 10p	106	—	L65.4	1.6	7.2	12.3
*549	253	Anglia TV	398	–5	14.5	♦	5.0	♦
141	62	Avesco 1p	91	—	0.5	6.7	0.8	25.7
72	37	BCE Hldgs 5p	38	–1	L41.0	2.7	3.6	14.2
300	132	Barr & W.A.T. 'A'	233	–2	†8.0	1.4	4.7	19.0
70	20	Boat Media	25	—	—	—	—	—
235	165	Boosey & Hawkes	218	+7	—	—	—	—
83	28	Border T.V.	39	–2	†1.4	2.4	4.9	11.3
*439	43½	Brent Walker 10p	346	–29	†98.5	2.2	4.0	16.7
124	79	Do 6pc.Cv.Cm.Rd.Pf.	104	–6	6.0	—	7.9	—

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING—Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND—Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

THIRD MARKET

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

IRISH

TRADITIONAL OPTIONS

3-month call rates

A selection of Options traded is given on the London Stock Exchange Report Page

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Mar 7	Mar 17	Mar 18	Mar 28
Mar 21	Apl 7	Apl 8	Apl 18
Apl 11	Apl 21	Apl 22	May 3

*New time dealings may take place from 9.00 am two business days earlier.

Largest fall since start of year leaves FT-SE index down 49.5 points at 1782.7

Share prices went into swift retreat yesterday when the UK equity market finally gave up waiting for a positive lead, concentrating instead on currency considerations, tax-loss selling and the absence of any commitment by the major institutions.

The uncertain trading situation led to a substantial intra-market and futures-related business which found the market extremely fragile. The FT-SE index declined 49.5 points to 1782.7, or 2.7 per cent on the day, and triggered fears of a chain-reaction in other international markets and particularly Wall Street.

Sterling continues to cause major problems for UK exporters and the February current account deficit, due today at 11.30, could aggravate the situation. But many operators named Lucas Industries, the leading UK component manufacturer, as the catalyst for the weakness.

The group intends making the heaviest call for cash since the October crash, proposing to raise £162.7m via a rights issue of new shares. Coming on top of smaller fund-raising earlier in the week, the market became nervous of the demands being made on a market at a time of little genuine offtake. A senior dealer at a leading house said woefully,"if you are unable to sell the stock you have, who wants more".

There were few indications of the impending downswing before the 9 am opening of the LIFFE market. A flurry to sell futures forced "footsie" contracts to trade at a discount to the index and rumours abounded in both markets of "sell" programmes. Volume rose as securities houses hedged their commitments by cross-trading their book positions and the discounts remained, closing at ten points to the index.

Equity turnover increased accordingly – some 548.7m shares went throught the system – as stock was pushed from one marketmaker to another. Some institutional divestment was probable although UK fund managers are thought to be now 8 per cent liquid.

Most analysts were puzzled by the market's behaviour, pointing to the robust British economy, surprisingly good corporate results and the strong cash resources of the UK investment institutions. They admitted, however, that the real returns on equities were not much more than those offered for cash.

Wall Street moved in tandem with London and the Dow Jones index almost matched the "footsie" fall in the first hour of business. This unsettled some European bourses in the late dealings, Paris and Amsterdam being the two worst affected.

The UK Gilt-edged market stood back to allow equities the full stage. Trade was again light awaiting this morning's UK trade figures and traders reverted to US bond watching. The benchmark issue gave ground and longer-dated Gilts eased to close marginally lower on balance. After the official close of dealings, however, the losses were regained.

Lucas Industries, the vehicle and aircraft component manufacturer, shocked the market at the outset with a proposed £162.7m rights issue. The Lucas share price, under pressure late on Wednesday, fell to 581p after the announcement and drifted lower still on the general market conditions to close 52 down at 570p.

The rights issue, on the basis of one-for-four at 500p, coincided with details of the group's half-year figures, which broadly matched market estimates. The fund-raising proposal is aimed at reducing borrowings which have escalated to £253m.

Plessey stood out as the only FT–SE constituent to show an improvement on the session and settled 2 firmer on balance at 164p, after 166p with turnover expanding rapidly during the afternoon to finish around 11m shares. Dealers said the rise was additionally driven by a substantial traded options business. Earlier in the day the share price had drifted off to 158½p.

The upturn accompanied the latest in a long–running sequenceof rumours that the identity of the builder of a 4 per cent stake in Plessey may well be revealed at the egm being held today to approve the telecoms merger with GEC. The stake rumours have been doing the rounds for many weeks; Siemens denied the stories, as did AT & T and STC.

Guinness produced annual results of £408m, compered with £314m last time, and up to best market estimates but analysts came away from the morning meeting with the company slightly cautious. Some later shaved their forecasts for the current year.

In the event, the Guinness share price, largely reflecting the general malaise in markets, fell away to close 11 down at 304p. Turnover at 2.8m was realtively small.

Beecham fell away sharply to close 16 cheaper at 454p amid market talk that Nomura Securities had recommended a switch out of Beecham into Genentech of the US. Dr. Arnab Banerji, the leading pharmaceutical analyst at Nomura, categorically denied the rumours.

Genentech is expected to put forward its case for TPA, a competitor to Beecham's heart drug Eminase, at a roadshow to be held in front of a US seminer of the American College of Cardiology due to start next week.

BP's breakfast meeting with oil company analysts apparently went well and both classes of BP shares registered early progress on the back on a number of recommendations and another strong showing by crude oil prices.

But the movement quickly ran out of steam as the equity market began to experience major strains and the "old" settled 8 off at 268p – on turnover of 7.6m; the "new" lost 2¼ to 74½p as 12m shares changed hands.

The recent big buyer of British Gas pulled out and Gas shares dipped 3 to 136p on turnover of 10m. Shell lost 19 to 1049p. Bid talk again encompassed LASMO which edged up to 339p before closing a shade off at 332p. Silkolene, on the other hand, remained a strong market, adding 8 more at 328p on further consideration of the almost trebled profits.

The financial sector held up well for a time but eventually succumbed to the overall market setback. Banks, in particular, attracted a modest amount of buying interest first thing, prompted by the sector's defensive qualities and "buy" recommendations from at least three leading securities houses.

But downside pressure gradually built up and saw share prices dip sharply late in the session. Midland were hard hit, closing 19 off at 400p, while NatWest – despite being regarded by brokers as one of the best quality issues in the sector – dropped 15 to 560p. Lloyds lost 8 to 273p and Barclays 6 to 484p. Royal Bank of Scotland, involved in negotiations to buy US bank Citizens Financial, valued in excess of £200m, gave up 13 to 347p. Standard Chartered, scheduled to announce preliminary figures on Wednesday, where the market is worried about a possible dividend cut and rights issue, and losses of perhaps up to £400m, ran back 17 to 458p. Merchant banks, badly hit by the October crash, escaped relatively lightly although Morgan Grenfell were on offer and finally 8 lower at 280p. Kleinwort Benson, due to announce preliminary figures on April 6, fell 2 to 378p.

Insurances suffered some hefty reversals. In the lifes Pearl were a major casualty and dropped 18 to 424p while London and Manchester dipped 13 to 265p.

A persistent and heavy seller of Sun Alliance left the shares 34 lower at 880p; the group's preliminary figures are expected on April 6 and could include hurricane losses of possibly as much as £150m. Commercial Union, buoyed by recent speculation of sizeable shareholdings about to change hands, lost 15 to 324p. Brokers included one of the market's rare firm spots in Lloyd Thompson which added 5 at 160p in belated response to the recent good interim results.

Associated Nursing Services staged a successful debut in the Unlisted Securities Market despite the surrounding gloom; the shares, placed at 132p, opened at 140p and touched 151p prior to closing at 147p.

Leading Buildings sustained fairly hefty losses. Blue Circle gave up 14 at 451p and Redland dipped 17 to 424p. Tarmac were finally 18 down at 287p, while Barratt Developments shed 9 more to 190p following comment on the interim results. George Wimpey were on offer at 248p, down 18 and Bryant Holdings eased 4 to 140p. RMC bucked the trend initially at 477p, but subsequently succumbed to the general malaise and closed 5½ at 466½p. AMEC were 11 off at 367p; the perliminary results are due on April 7. Wilson Bowden firmed 4 to 201p in reply to the more-than-doubled annual profits.

ICI encountered persistent offerings, mainly reflecting currency influences and settled 22 lower at 1018p. Increased annual profits failed to sustain Croda International Deferred which dipped 9 to 187p, but a recommended offer for the company from Tarmac lifted Morceau 8 to 61p, after 63p.

The retailing sector retreated across the board. Woolworth, additionally unsettled by the County NatWest downgrading, fell away to close a further 5 off at 280p, on turnover of just over 3m shares. Underwoods, a strong market recently amid rumours that Woolworth may bid for the group and scheduled to report figures next month, were 7 down at 134p.

News that the Al Fayed interests had upped their stake in Sears by 500,000 shares to just short of 150m shares, had little effect on Sears, 5¼ lower at 132p.

George Oliver "A" provided a ray of light in the sector, advancing 25 to 375p after the more than trebled profits.

The electronics leaders gave ground with the rest of the market. Ferranti – just about the market's most active stock over recent sessions – fell 4 to 84p on turnover much reduced at 2.6m as the analysts' meeting in Manchester drew to a close;" all the noises emanating from the presentation are bullish but they picked the wrong day" said one trader in Ferranti.

GEC were another big turnover stock – 4.7m were traded – and the shares dipped 2 more to 148p still uneasy about suggestions that news from the Marconi enquiry is imminent.

British Telecom were 5 off at 250p on turnover of 5.1m while Cable & Wireless, additionally burdened by the BZW "sell" recommendation, dropped 11 to 328p with 2.4m traded.

Engineers failed to escape the malaise with GKN reacting 16 to 303p in the leaders. Rolls-Royce, which announced annual results in the middle of market estimates, were actively traded (some 6.6m shares changed hands) before settling 5½ down on the day at 119½p.

Hotels were especially dull, sentiment not helped by currency factors. Grand Metropolitan fell 12 to 483p, while losses in the region of 10 were seen in Ladbroke, 403p, and Trusthouse Forte, 237p.

International stocks sustained substantial losses, the reaction being prompted by continuing currency worries and Wall Street's sharp intitial reaction yesterday.

British Aerospace were also prominent in the other overseas earners, falling away to close 19 lower at 356p. Cookson, which announced preliminary results slightly below best market expectations, dipped 23 to 554p, while uninspiring annual figures left Smith and Nephew 13 cheaper at 124½p. Pearson, a good market eariler in the week, reacted 21 to 662p; the preliminary figures are scheduled to be announced next Monday. Unsettled by the £5.6m rights issue which accompanied the annual results, Banro dipped 15 to 185p.

The Property sector's recent good run came to an abrupt halt, the leaders encountering considerable profit-taking. Land Securities shed 13 to 527p and MEPC lost a similar amount at 514p. Hammerson A dipped 25 to 576p and British Land shed 10 to 298p. Elsewhere, Estates Property Investment Company (EPIC), closed a penny higher at 266p; well after the close of business, a consortium group – Gilivote – announced a 265p per share offer for the company which is being recommended by the EPIC board; this flies in the face of Peachey's contested offer of 260p per share, but the latter stated earlier that even if an increased bid did emerge, it would not be prepared to sell its shareholding. Peachey also said that if necessary it would be prepared to remain as a sizeable minority shareholder in EPIC.

Sekers International provided one of the day's few bright spots, advancing smartly to close 21 higher at 161p in response to the announcement of a recommended offer from Stoddard. The latter eased a few pence to 71p.

Comment on the preliminary figures failed to sustain BAT Industries which fell away sharply in common with other international stocks to close 21 down at 443p.

The total number of Traded Option contracts expanded to 36,601 comprising 22,376 calls and 14,225 puts. British Gas calls came out at 4,430, while Glaxo puts amounted to 1,344. The FTSE contract attracted 3,456 calls and 3,513 puts.

Traditional Options

- First dealings Marh 14
- Last dealings Mar 25
- Last declarations June 16
- For Settlement June 27

For rate indications see end of London Share Service

Interest in the Traditional option market remained at a fairly high level. Stocks deal in for the call included Waterford Glass, Polymark, Jones and Shipman, North Kalgurli, CASE, Eagle Trust, Blick, British Aerospace, Bula Resources, British Petroleum partly-paid, Bestwood, Rolls-Royce, Powerscreen, BDA, Premier Consolidated, Hogg Robinson, Ryan Hotels, GEC and J. Crowther. A put was arranged in Cowan de Groot, while British Petroleum partly-paid were dealt in for the double.

FINANCIAL TIMES STOCK INDICES

	Mar. 24	Mar. 23	Mar. 22	Mar. 21	Mar. 18	Year Ago	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs	90.34	90.36	90.28	90.14	90.30	91.22	93.32 (8/5/87)	83.73 (19/10/87)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.52	97.72	97.52	97.26	97.49	97.20	99.12 (15/6/87)	90.23 (2/1/87)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1421.6	1439.8	1463.2	1462.7	1476.8	1614.9	1926.2 (16/7/87)	1232.0 (9/11/87)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	242.6	244.9	249.0	242.3	240.9	428.2	497.5 (4/8/87)	234.0 (29/2/88)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div.Yield	4.58	4.45	4.44	4.44	4.38	3.65				
Earnings Yld. %(full)	11.65	11.32	11.29	11.29	11.18	8.37				
P/E Ratio (net)(*)	10.47	10.77	10.80	10.80	10.91	14.65				
SEAQ Bargains (5pm)	33,292	30,848	31,413	31,558	40,559	55,725				
Equity Turnover (£m)	-	1011.20	958.05	915.11	1357.74	1598.83				
Equity Bargains	-	38,239	37,905	37,922	44,708	68,143				
Shares Traded (ml)	-	443.7	420.1	419.5	600.2	601.4				

S.E ACTIVITY

Indices	Mar.23	Mar.22
Gilt Edged Bargains	116.3	136.2
Equity Bargains	247.8	245.6
Equity Value	2043.9	1936.5
5-Day average		
Gilt Edged Bargains	134.3	138.3
Equity Bargains	251.8	243.2
Equity Value	2170.6	2233.5

♥ Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1453.0	1440.2	1438.3	1433.9	1434.4	1434.4	1426.1	1430.5

Day's High 1453.0 Day's low 1421.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=10.36.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 0898 123001

NEW HIGHS FOR 1987/88

NEW HIGHS (4).

BREWERS (1) Macdonald Martin "A", BUILDINGS (1) Wilson Bowden, NEW LOWS (22).

AMERICANS (1) Image Storage/Retvl. Syst. CANADIANS (1) Galactic Res., BANKS (2) GPG, Gerrard & National., STORES (3) Dixons Grp., Fields (Mrs), Glamar Grp., ELECTRICALS (6) Ealing Electro., Murray Electronics, Murray Tech. Invs., Process Systems, Telemetrix, INDUSTRIALS (3) Co. of Designers, Optometrics, Pavion Ind., LEISURE (3) A & M Grp., Prism Leisure, Trilion, PROPERTY (1) County Props. "B", TEXTILES (1) Coats, TRUSTS (3) Group Dev., MINES (1) Bracken, THIRD MARKET (1) Norish Grp.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA Group	2,000	Enterprise Oil	1,500	Prudential	1,200
Allied-Lyons	2,750	Fisons	1,600	Racal	4,200
Amstrad	2,700	General Accident	381	Rank Org.	900
Argyll Group	2,000	General Elect.	4,600	RMC	690
Assoc. Brit. Foods	187	Glaxo	2,900	RHM	1,000
BAA	2,800	Globe Investment	105	Reckitt & Colman	302
BAT	5,600	Granada	2,200	Redland	1,400
BET	2,500	Grand Met	1,950	Reed Intl.	893
BICC	444	GUS "A"	123	Reuters "B"	300
BOC	946	Guardian R.E.	229	RTZ	615
BPB Inds.	900	GKN	1,250	Rolls-Royce	6,450
BTR	4,600	Guinness	2,750	Rothmans "B"	442
Barclays	2,200	Hammerson	648	Rowntree	1,900
Bass	952	Hanson	9,500	Ryl Bank Scotland	1,300
Beecham	4,800	Hawker Siddeley	950	Royal Insurance	1,700
Blue Arrow	2,000	Hillsdown Holdings	3,600	STC	1,000
Blue Circle	815	IMI	1,300	Saatchi & Saatchi	430
Boots	2,800	ICI	2,400	Sainsbury	3,100
Brit. Airways	6,500	Jaguar	3,400	Scott & Newcastle	1,500
Brit. Aerospace	1,400	Ladbroke	2,150	Sears	3,900
Brit. & Comm.	1,200	Land Securities	3,600	Sedgwick	2,100
British Gas	10,000	Laporte	268	Shell Transport	1,350
BP	7,300	Legal & General	1,900	Smith & Nephew	6,700
Brit. Telecom	5,000	Lloyds Bank	1,900	Standard Chart.	318
Bunzl	1,200	LASMO	2,800	Storehouse	775
Burmah Oil	408	Lonrho	689	Sun Alliance	421
Burton	2,900	Lucas	3,700	T & N	775
Cable & Wireless	2,400	MEPC	1,300	TSB	4,400
Cadbury Schweppes	1,600	Marks & Spencer	2,300	Tarmac	2,100
Coats Viyella	2,200	Maxwell Comm.	719	Tesco	1,600
Commercial Union	1,700	Metal Box	957	THORN EMI	1,000
Cons. Gold	370	Midland Bank	2,900	Trafalgar House	3,600
Cookson	2,200	NatWest Bank	1,900	Trusthouse Forte	1,000
Courtaulds	3,100	Next	2,000	Ultramar	1,400
Dalgety	217	Northern Foods	1,600	Unilever	2,300
Dee Corporation	1,550	Pearson	234	United Biscuits	1,000
Dixons Group	1,700	Pearl Group	424	Wellcome	2,000
English China Clays	719	P & O	2,800	Whitbread "A"	416
		Pilkington	4,600	Woolworth	3,100
		Plessey	11,000		

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	6	99	9
Corporations, Dominion and Foreign Bonds	3	22	26
Industrials	175	855	535
Financial and Properties	56	319	269
Oils	18	43	48
Plantations	1	2	10
Mines	55	57	92
Others	59	104	112
Totals	373	1,501	1,101

FT – ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thursday March 24 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Wed Mar 23 Index No.	Tue Mar 22 Index No.	Mon Mar 21 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (209)	749.24	-2.7	10.02	4.03	12.52	4.47	770.29	774.80	771.79	876.62
2	Building Materials (30)	1004.13	-3.7	9.90	3.80	12.58	1.21	1042.92	1045.94	1041.19	1085.72
3	Contracting, Construction (34)	1565.74	-2.5	9.09	3.27	14.60	3.04	1606.36	1625.61	1616.82	1487.57
4	Electricals (11)	2010.66	-2.4	10.25	5.04	12.35	1.20	2059.72	2079.11	2075.43	2150.70
5	Electronics (32)	1513.62	-1.2	10.92	3.62	11.95	11.75	1532.44	1541.60	1531.23	1976.66
6	Mechanical Engineering (58)	388.73	-2.9	9.94	4.42	12.68	1.79	400.52	401.77	400.78	407.69
8	Metals and Metal Forming (7)	448.94	-3.4	9.55	4.81	12.63	0.00	464.98	468.58	469.19	471.18
9	Motors (13)	270.77	-4.0	11.91	4.42	9.84	3.85	282.17	284.01	283.12	333.15
10	Other Industrial Materials (24)	1239.47	-2.7	9.15	4.56	13.00	15.91	1274.50	1284.12	1280.63	1487.14
21	CONSUMER GROUP (185)	1048.25	-2.5	8.65	3.60	14.73	3.06	1075.47	1078.50	1081.96	1180.55
22	Brewers and Distillers (21)	1062.01	-2.2	10.42	3.68	12.12	4.24	1086.39	1084.37	1084.10	1096.38
25	Food Manufacturing (23)	834.53	-1.0	9.62	4.10	13.29	7.61	842.80	845.46	850.00	901.38
26	Food Retailing (16)	2082.64	-2.1	7.71	3.07	17.45	7.65	2127.10	2135.32	2144.77	2199.88
27	Health and Household Products (10)	1787.29	-3.9	6.00	2.72	17.42	0.45	1859.33	1867.77	1873.58	2295.97
29	Leisure (31)	1269.60	-2.8	7.74	3.79	16.62	9.64	1306.25	1306.37	1305.35	1381.97
31	Packaging & Paper (16)	500.78	-2.2	8.43	3.74	15.61	2.18	512.16	514.00	516.05	609.31
32	Publishing & Printing (16)	3507.63	-2.6	6.51	4.26	19.30	4.21	3599.64	3607.06	3616.29	3602.91
34	Stores (34)	827.64	-3.1	9.33	3.78	14.98	1.44	843.49	846.08	851.76	1002.35
35	Textiles (18)	570.09	-1.5	12.14	4.39	9.47	0.34	578.95	585.46	586.98	714.49
40	OTHER GROUPS (93)	882.08	-2.7	10.75	4.34	11.59	4.00	906.24	908.86	906.34	993.97
41	Agencies (19)	1151.21	-3.4	7.03	2.29	18.35	0.04	1191.52	1201.76	1203.60	1425.51
42	Chemicals (20)	1011.81	-2.3	11.03	4.88	10.35	18.33	1035.37	1044.97	1040.01	1260.07
43	Conglomerates (14)	1165.92	-2.7	9.81	4.52	11.87	3.27	1198.35	1198.92	1199.13	1273.43
45	Shipping and Transport (12)	1946.38	-2.3	8.73	4.44	14.97	2.66	1992.59	1980.07	1955.07	2006.72
47	Telephone Networks (2)	960.14	-2.2	11.21	4.41	11.87	0.00	981.71	991.67	987.43	1001.42
48	Miscellaneous (26)	1172.78	-3.7	13.01	4.41	9.15	0.69	1217.48	1203.90	1207.01	1376.85
49	INDUSTRIAL GROUP (487)	936.16	-2.6	9.58	3.91	13.15	4.24	961.35	964.82	964.56	1067.96
51	Oil & Gas (13)	1799.47	-2.1	9.74	5.79	12.70	37.52	1838.26	1840.50	1864.56	1981.81
59	500 SHARE INDEX (500)	1009.11	-2.5	9.60	4.18	13.09	7.01	1035.48	1038.00	1040.57	1138.56
61	FINANCIAL GROUP (122)	668.07	-2.4	–	4.93	–	7.67	684.50	684.18	686.19	697.96
62	Banks (8)	653.72	-2.7	23.22	6.23	5.00	15.42	672.20	668.20	667.72	732.83
65	Insurance (Life) (8)	978.28	-2.3	–	5.09	–	5.76	1001.06	1003.96	1023.73	987.373
66	Insurance (Composite) (7)	515.64	-3.0	–	5.60	–	5.78	531.64	533.64	537.94	548.67
67	Insurance (Brokers) (7)	845.34	-0.8	14.26	7.64	8.94	16.98	852.14	856.54	856.47	1202.46
68	Merchant Banks (11)	351.35	-1.5	–	4.10	–	1.82	356.55	357.30	357.67	383.75
69	Property (51)	1118.19	-2.2	4.09	2.78	26.14	1.98	1143.90	1142.75	1133.08	963.11
70	Other Financial (30)	393.07	-1.8	9.85	4.34	12.76	2.66	400.42	401.37	400.82	461.67
71	Investment Trusts (82)	868.75	-1.8	–	3.01	–	5.24	885.00	886.51	887.23	991.17
81	Mining Finance (2)	452.66	-2.8	10.04	3.80	11.22	2.01	465.46	463.25	469.75	406.04
91	Overseas Traders (8)	1015.40	-1.5	10.10	5.32	11.74	14.93	1030.71	1033.11	1030.13	902.60
99	ALL-SHARE INDEX (714)	918.23	-2.5	–	4.26	–	7.02	941.71	944.87	945.70	1019.40

	Index No.	Day's Change	Day's High	Day's Low	Mar 23	Mar 22	Mar 21	Mar 18	Mar 17	Year ago
FT-SE 100 SHARE INDEX ♦	1782.7	-49.5	1827.9	1782.0	1832.2	1835.4	1841.1	1855.5	1828.1	2037.8

FIXED INTEREST

	PRICE INDICES	Thu Mar 24	Day's change %	Wed Mar 23	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	123.14	-0.04	123.20	–	3.19
2	5-15 years	141.94	-0.08	142.05	–	2.68
3	Over 15 years	150.33	-0.11	150.50	–	4.16
4	Irredeemables	168.52	-0.32	169.06	–	1.54
5	All stocks	138.13	-0.08	138.24	–	3.05
	Index-Linked					
6	5 years	124.73		124.72	–	0.51
7	Over 5 years	117.37	-0.29	117.72	–	0.88
8	All stocks	117.81	-0.27	118.13	–	0.85
9	Debentures & Loans	119.87	+0.11	119.73	–	1.78
10	Preference	88.49	+0.32	88.41	–	1.39

AVERAGE GROSS REDEMPTION YIELDS (Thu Mar 24 / Wed Mar 23 / Year ago (approx.)) — British Government: 1 Low Coupons 5 years; 2 15 years; 3 25 years; 4 Medium Coupons 5 years; 5 15 years; 6 25 years; 7 High Coupons 5 years; 8 15 years; 9 25 years; 10 Irredeemables; Index-Linked: 11 Inflation rate 5% 5yrs.; 12 Inflation rate 5% Over 5yrs.; 13 Inflation rate 10% 5yrs.; 14 Inflation rate 10% Over 5yrs.; 15 Debs & Loans 5 years; 16 15 years; 17 25 years; 18 Preference — [illegible]

♥Opening index 1827.9; 10 am 1810.2; 11 am 1808.9; Noon 1803.2; 1 pm 1804.6; 2 pm 1804.5; 3 pm 1792.2; 3.30 pm 1796.7; 4 pm 1795.6

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

[illegible]

March 24 Total Contracts 36,601. Calls 22,376 Puts 14,225

FT-SE Index Calls 3456 Puts 3513

*Underlying security price.

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

"RIGHTS" OFFERS

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm
March 24

MONTREAL
Closing prices March 24

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 49

Stock	Sales (Hds)	High	Low	Last	Chng
UtdSvrs .72	5 1629	16¾	16¼	16¾ + ⅛	
USBcp 1	9 587	24¾	24½	24⅝	
US HltC .16	206 3730	8¾	8¼	8¼ − ½	
USTrst 1.16	14 825	46	45⅛	45⅛ − ⅞	
UStatn .26	20 392	22½	22	22 − ¼	
UnTelev	42 38	25¾	24⅞	25¾ + ½	
UnvFrs .12	13 152	15¾	15½	15½	
UnvHlt .33e	275 700	5⅝	5¼	5½ − ⅛	
V V					
VBand 1e	5 1402	19	18½	18½ − ½	
VLSI	25 371	8⅞	8¾	8¾ − ¼	
VM SR	23 311	12¾	11¾	12 − ¾	
X Y Z					
XOMA	1003	12	11¼	11¼ − ½	
Xicor	26 4611	9	8¼	8¼ − ¾	
Xidex	6607	6¼	5¾	6 − ⅛	
Xylogic	10 174	12¼	11¾	11¾ − ½	
Xyvsn	39 246	5½	5¼	5½ − ¼	
YlowFs .82	21 1278	31½	30	30¼ − 1⅛	
ZionUt 1.44	3 25	24¼		25 − ¼	
Zondvn	39 171	8¾	8¼	8¼ − ⅛	
Zycad	22 63	4	3¾	4	

CHIEF LONDON PRICE CHANGES YESTERDAY
(Prices in pence unless otherwise indicated)

RISES

Morceau	61	+ 8
Oliver (G.) A	375	+ 25
Sekers Intl.	161	+ 21
Silkolene	328	+ 8

FALLS

Barratt Devl.	190	− 9
Beecham	454	− 16
Burton	238	− 11
Dixons Group	175	− 11
GKN	303	− 16
Glaxo	£10⅛	− 11/32
Grand Met.	483	− 12
Guinness	304	− 11
ICI	£10 3/16	− 3/16
Land Securities	527	− 13
Lucas Inds.	570	− 52
Midland Bank	400	− 19
Royal Ins.	398	− 12
Smith & Nephew	124½	− 13
Sun Alliance	880	− 34
Tarmac	237	− 18
Ultramar	247	15

TOKYO - Most Active Stocks
Thursday, March 24, 1988

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	79.00m	476	-8
Sumitomo Metal	61.42m	394	-2
Sumitomo Heavy Industries	47.33m	630	+10
Nippon Kokan	26.72m	398	-4
Ishikawajima-Harima Heavy Industries	24.47m	924	-30
Kobe Steel	23.56m	335	-9
Tokyo Gas	15.62m	1,250	-20
Kawasaki Steel	13.05m	402	-6
Nisshin Steel	12.89m	825	-32
Mitsubishi Electric	11.82m	716	-14

INDICES

NEW YORK DOW JONES

	Mar. 23	Mar. 22	Mar. 21	Mar 18	High	Low	Since compilation High	Since compilation Low
◆Industrials	2067.64	2066.15	2067.14	2087.37	2722.42 (25/8/87)	1738.42 (19/10/87)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	90.07	90.36	90.40	90.58	95.51 (9/2/87)	81.26 (19/10/87)	—	—
Transport	904.12	892.92	880.08	879.18	1101.16 (14/8/87)	661.00 (4/12/87)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	176.51	177.75	178.17	180.71	227.83 (22/1/87)	160.98 (19/10/87)	227.83 (22/1/87)	10.50 (8/4/32)

◆Day's High 2085.05 (2082.89) Low 2047.41 (2052.06)

STANDARD AND POOR'S

	Mar. 23	Mar. 22	Mar. 21	Mar 18	High	Low	Since compilation High	Since compilation Low
Composite ‡	268.91	268.84	268.74	271.12	336.77 (25/8/87)	223.92 (4/12/87)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials	312.03	312.62	312.04	314.64	393.17 (25/8/87)	255.43 (4/12/87)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	23.38	23.30	23.32	23.62	32.43 (25/8/87)	20.39 (7/12/87)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	151.82	151.52	151.47	152.65	187.99 (25/8/87)	125.91 (4/12/87)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. value	300.41	298.80	298.18	299.11	365.01 (13/8/87)	231.90 (4/12/87)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	380.09	379.76	378.57	381.58	455.28 (26/8/87)	291.90 (28/10/87)	455.28 (26/8/87)	54.87 (31/10/72)

	Mar. 18	Mar 10	Mar. 3	year ago (approx.)
Dow Industrial Div Yield	3.35	3.54	3.38	2.86

	Mar 16	Mar 9	Mar. 2	year ago (approx.)
S & P Industrial div yield	2.94	2.93	2.96	2.58
S & P P/E ratio	15.35	15.41	15.13	20.82

TRADING ACTIVITY † Volume

Millions	Mar. 23	Mar. 22	Mar. 21
New York	167.370	142.000	129.645
Amex	11.586	9.509	9.060
OTC	147.135	121.649	121.871

NEW YORK	Mar. 23	Mar. 22	Mar. 21
Issues Traded	1,966	1,966	1,969
Rises	925	747	500
Falls	593	731	1,021
Unchanged	448	488	448
New Highs	22	20	16
New Lows	6	8	7

CANADA

TORONTO	Mar. 23	Mar 22	Mar 21	Mar 18	1987-88 High	1987-88 Low
Metals & Minerals	2832.3	2752.0	2716.6	2722.6	3587.5 (5/10/87)	1988.2 (2/1/87)
Composite	3359.8	3330.5	3324.1	3322.6	4112.9 (13/8/87)	2837.8 (28/10/87)
MONTREAL Portfolio	1672.24	1655.50	1648.68	1651.47	2224.77 (16/7/87)	1435.94 (26/10/87)

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Abbott Lab	5,938,100	6½	+ ⅛
Lucky Stores	3,431,900	48¾	− 2
BankAmerica	2,551,200	11¼	− ⅛
Texaco	2,280,900	29⅞	+ 5
Texaco	2,228,900	47¼	+ 1⅛
Inco	2,064,900	25¾	+ ¼
Gillette	2,009,100	42½	+ 3½
Black & Decker	1,975,700	20¾	+ ⅞
Upjohn	1,911,900	31	+ 1
General Electric	1,421,600	42⅝	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed. (u) Unavailable.

	Mar 24	Mar 23	Mar 22	Mar 21	1987-88 High	1987-88 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1450.5	1427.1	1420.8	1432.6	2305.9 (21/9/87)	1151.0 (11/11/87)
All Mining (1/1/80)	716.0	691.4	693.4	694.5	1462.4 (14/10/87)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	175.65	177.43	177.90	178.92	232.19 (22/9/87)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/84)	4991.6	4973.2	4962.4	4953.8	5412.2 (13/8/87)	3503.8 (18/12/87)
DENMARK						
Copenhagen SE (3/1/83)	(φ)	(φ)	193.60	193.87	219.76 (27/8/87)	179.60 (20/11/87)
FINLAND						
Unitas General (1975)	621.9	620.6	617.5	613.7	679.1 (15/10/87)	425.2 (5/1/87)
FRANCE						
CAC General (31/12/82)	296.6	293.1	293.2	298.6	460.4 (26/3/87)	251.3 (29/1/88)
Ind. Tendance (31/12/87)	106.6	105.2	104.6	106.6	112.3 (25/2/88)	89.7 (29/1/88)
GERMANY						
FAZ Aktien (31/12/58)	467.01	474.14	470.49	472.57	676.84 (6/1/87)	396.40 (29/1/88)
Commerzbank (1/12/53)	1424.7	1447.5	1436.7	1444.4	2061.1 (17/8/87)	1207.9 (29/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2546.40	2561.91	2594.8	2602.8	3949.73 (1/10/87)	1894.94 (7/12/87)
ITALY						
Banca Comm. Ital. (1972)	526.12	523.93	521.70	542.37	767.34 (30/4/87)	423.91 (9/2/88)
JAPAN **						
Nikkei (16/5/49)	25781.28	25895.23	25842.75	(c)	26646.43 (14/10/87)	18544.08 (13/1/87)
Tokyo SE New (4/1/68)	2121.64	2133.05	2127.40	(c)	2258.56 (11/6/87)	1557.46 (13/1/87)
NETHERLANDS						
ANP-CBS General (1970)	250.2	251.7	250.3	252.8	334.1 (14/8/87)	192.2 (10/11/87)
ANP-CBS Industrial (1970)	205.7	206.3	203.6	205.7	280.8 (11/8/87)	147.5 (10/11/87)
NORWAY						
Oslo SE (4/1/83)	398.81	400.26	394.24	395.56	592.04 (21/9/87)	307.48 (10/11/87)
SINGAPORE						
Straits Times Ind. (30/12/66)	958.40	961.50	957.80	969.40	1505.4 (26/8/87)	700.4 (7/12/87)
SOUTH AFRICA						
JSE Gold (28/9/78)	1302.0	1270.0†	1280.0	1255.0	2499.0 (3/8/87)	1212.0 (29/2/88)
JSE Industrial (28/9/78)	1504.0	1498.0†	1487.0	1480.0	2264.0 (16/10/87)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	275.50	273.75	271.21	274.30	325.44 (6/10/87)	201.08 (4/12/87)
SWEDEN						
Jacobson & P. (31/12/56)	2752.2	2738.3	2720.6	2733.6	3267.1 (8/10/87)	2068.6 (10/11/87)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	533.6	536.1	531.4	534.8	729.7 (5/10/87)	450.9 (10/11/87)
WORLD						
M.S. Capital Int. (1/1/70)	(u)	454.7	452.9	454.7	495.9 (27/8/87)	361.3 (2/1/87)

** Saturday March 19: Japan Nikkei (c), TSE (c)

† Amended at source.
(φ) Danish Stock Exchange closed in order to implement electronic trading system.

Base values of all indices are 100 except Brussels SE – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Metals – 500; (c) Closed. (u) Unavailable.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) unavailable. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	14	AAR s	.36	1.4	21	678	25½	24¾	25	−⅛
38⅛	21	AFG s	.16	.5	14	2542	32⅝	32	32⅛	−¼
27	10½	AGS s			14	586	18	17	17	−1⅜
10½	4⅝	AMCA				2	4⅝	4⅝	4⅝	
9	3¼	AM Intl				477	4¼	4⅛	4⅛	−⅛
66½	28¾	AMR			13	4417	42¾	42	42⅜	−2
25	19	ANR pf2.12		9.1		51	23¼	23¼	23¼	
12¼	6⅝	ARX			9	111	8⅝	8¼	8½	−¼
73½	40⅛	ASA	3	6.5		555	47⅛	45⅝	45⅞	−1⅛
22⅜	9½	AVX			14	248	17⅝	17⅛	17⅛	−⅝
67	40	AbtLab1.20		2.5	17	4812	48	47½	47⅞	−½
28	15⅝	Abitibi g				118	19⅞	19¾	19⅞	+⅛
16¾	8½	AcmeC .40		3.3		42	12¼	12	12	−⅜
10½	6⅞	AcmeE.32b		4.1	21	37	8⅛	7⅞	7⅞	−⅛
20	14⅛	AdaEx 3.05e		19.		131	16	15¾	15¾	−⅛
18⅜	6⅞	AdamM.24		1.9	10	20	12⅞	12¾	12¾	−¼
24⅞	7½	AMD				2880	12⅛	11⅝	11⅞	−⅜
56¾	29¼	AMD pf	3	8.5		134	35½	35	35½	−1
11⅞	4⅝	Adobe			13	358	8	7¼	7⅜	−½
20½	16¼	Adob pf1.84		9.9		27	18½	18½	18½	
21¾	17½	Adob pf2.40		12.		12	20½	20½	20½	
15	6⅛	Advest .12a		1.6	7	61	7½	7⅜	7⅜	−¼
67⅞	43½	AetnLf 2.76		6.3	6	3479	44⅝	44	44⅛	−⅝
83½	41	AhPub .40		.6	37	389	64⅝	63	63⅞	−⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 49

NYSE COMPOSITE CLOSING PRICES

Continued from Page 48

[illegible]

AMEX COMPOSITE CLOSING PRICES

[illegible]

OVER-THE-COUNTER *Nasdaq national market, closing prices*

[illegible]

Continued on Page 47

AMERICA

Dow slumps as dollar and bond worries grow

Wall Street

THE UNEASY calm in the equity market finally broke yesterday as the dollar slumped overseas and weakness in the bond market took its toll, *writes Janet Bush in New York.*

The Dow Jones Industrial Average started falling as soon as the market opened, as yields on the bond market surged to their highest levels since late January. Towards lunchtime, as losses in the equity market built up, bonds recovered and the yield on the Treasury's 30-year benchmark issue eased back from more than 8.77 per cent to just above 8.75 per cent.

The Dow then stabilised around noon at a loss of 40 points and closed 43.77 points lower at 2,023.87. Bonds, meanwhile, recovered from an early loss of more than ½ point to end slightly higher in the long end and up to ⅛ point lower in short maturities. The Treasury's benchmark long bond was quoted unchanged from Wednesday's close to yield 8.74 per cent.

A number of factors coincided to trigger the decline in the equity market. First and foremost, equities had not significantly reacted to the substantial fall in the bond market over the last fortnight and had looked very expensive in comparison with bonds on any of the standard ratios.

The prime reason for the latest bout of weakness in the bond market has been concern that, despite the October share price collapse, the economy continued to grow strongly enough to suggest higher inflation may be on the way.

Bonds have focused increasingly on rising commodity prices, as measured by the Commodity Research Bureau's index, a sharp rise in crude oil prices due to possible emergency price stabilisation measures by the Organisation of Petroleum Exporting Countries and a recovery in the gold price.

Bond traders have been talking with trepidation about next week's Federal Open Market Committee amid fear that the Federal Reserve may tighten policy a notch.

Lastly, ever since the British government appeared to allow sterling to rise above its unofficial ceiling of DM3, the dollar has displayed renewed signs of weakness.

All these factors seeped through into the equity market in a week when it had seemed to lose its momentum completely. On Wednesday and Tuesday, the Dow closed within 2 points of its previous close. There have been signs that the rise in second-tier stocks, which had taken the market to post-crash highs on March 18, had started to slow down, and the weakness in blue chips was persistent.

Traders became increasingly worried about the proportion of trading confined to takeover stocks and the lack of activity in the broader market.

There was an element of programmed stock index arbitrage in the morning's decline and traders said that actual selling by institutions had been light.

The atmosphere did not appear particularly grave and traders said that some measure of retrenchment was to have been expected, given the market's apparent inability to build on its gains.

Blue chips were badly hit. International Business Machines dropped $1⅞ to $109⅝, Procter & Gamble lost $1¼ to $79⅝, General Electric fell $⅞ to $41⅞ and Bethlehem Steel slipped $1 to $21¼.

Technology stocks were weak. Digital Equipment slumped $3⅝ to $108, Motorola dropped $2 to $44⅝ and Apple Computer lost $1⅝ to $40⅞.

Among takeover stocks, Koppers rose $1⅞ to $58⅞, after Beazer of the UK said that the group it leads was prepared to raise its bid for the company to $60 a share in a negotiated merger agreement. The current offer is worth $56 a share.

International Clinical Laboratories surged $8 to $33¾, after news of a surprise bid by SmithKline Beckman worth $32 a share. The new offer emerged despite International's agreement to be acquired by Corning Glass Works for $26 a share. SmithKline dropped $2⅝ to $55½ and Corning fell $⅞ to $53¼.

Irving Bank jumped $6⅜ to $66¼ after the bank said in a filing with the Securities and Exchange Commission that it was holding talks with third parties which would rival the hostile bid by Bank of New York. The Bank of New York added $1⅛ to $31⅝.

Canada

PROFIT-TAKING drove Toronto share prices sharply lower in moderate trading, with base metals leading the decline.

The composite index, which had fallen about 46 points in earlier trading, lost 37.59 to 3,322.2, as declines outran advances by 531 to 344 on turnover of 24.6m shares.

EUROPE

Sentiment hit as London and Wall Street decline

London

INTERNATIONAL stocks suffered substantial falls in London as currency worries and a major rights issue by component manufacturer Lucas Industries helped send equities into a steep retreat.

The FT-SE 100 index shed 2.7 per cent, finishing 49.5 lower at 1,782.7, and fears developed of a chain reaction in other international markets, notably Wall Street.

UK exporters such as Glaxo, BOC, Wellcome and British Aerospace all fell back.

Beecham dropped 16p to 454p as market rumours suggested Nomura Securities had recommended a switch into Genentech of the US. Nomura denied the rumours.

STEEP losses on Wall Street and in London weighed down on Europe towards the close, hitting Amsterdam and Paris especially. The weaker dollar and worries about the US economy were prevalent influences, analysts said, with the setback in London a lesser though not insignificant factor, *writes Our Markets Staff.*

AMSTERDAM was hit by the weaker opening on Wall Street as well as falls in London and in the dollar, with a late sell-off dragging shares lower.

The CBS index fell 2.1, or 2.4 per cent, to 84.1, with both domestic and foreign investors taking profits following recent gains on takeover speculation.

Some stocks slipped by as much as 4 per cent from the previous day, with recently strong Dutch insurance issues prominent losers.

Among insurers, Nationale-Nederlanden fell Fl 2.60 to Fl 58.00, a drop of 4.3 per cent. Amev slipped Fl 2.30, or 4 per cent, to Fl 54.80 while Aegon eased Fl 2.50, or 3.4 per cent, to Fl 71.

KLM was the most actively traded issue, with 450,000 shares changing hands. The dollar sensitive stock ended 50 cents higher at Fl 36.50, helped by news that it was in regional transport co-operation talks with Nedlloyd. Nedlloyd fell Fl 7.50 to Fl 205.

FRANKFURT started the day in good humour, helped by healthy corporate results and a steady dollar, but fell back on a wave of selling after electronics company Siemens said earnings could be hit by weaker domestic demand this year.

The FAZ index ended 7.13 lower at 467.01, falling slightly below the level last Friday of 467.4. One analyst said: "The market is only reacting to bad news and doesn't really want to consider good news at all."

Siemens, one of the market's top three stocks with a capitalisation of about DM19bn, fell DM15 to DM383.50, taking other shares with it. Rivals Nixdorf and AEG lost DM10.50 to DM560 and DM4.60 to DM243.50 respectively.

VW lost DM5.70 to DM244.30, but remained above the DM238 offer price in the Government's share sale, which started yesterday and runs until Monday.

In chemicals, Bayer was boosted by news of record annual pre-tax profits, adding DM1.50 to DM274.20.

PARIS began firmer on takeover speculation and technical buying at the start of the new trading account, the last before the presidential election. But Wall Street's early sharp falls undermined sentiment and prices ended slightly lower with the 50-share EFX indicator falling 0.93 to 281.93.

Volume remained low, with little foreign interest now the election campaign is taking off. The latest account ends on April 21, three days before the first round of voting.

Initially, Compagnie du Midi rose as high as FFr1,399 and analysts said a buyer was trying to build a stake in the insurance group, in which Generali of Italy already holds 9 per cent. There were also market rumours that an extraordinary general meeting might be called to try to block a planned rights issue by Midi. The stock turned down later to end FFr12 lower at FFr1,340.

In the car sector, Peugeot rose against the market trend to close FFr34 higher at FFr964 on optimism about its 1987 results due next month. One analyst said the VW placing in West Germany had focused attention on the comparative cheapness of Peugeot stock.

BRUSSELS saw further heavy activity in retailer Delhaize amid continued takeover rumours, with the cash market index ending the day 18.45 higher at 4,991.66.

Trading in Delhaize reached a record 93,500 shares, with several orders reported from London. The price ended unchanged at BFr5,000.

MILAN closed mixed in nervous trading, as Tuesday's 4 per cent slump continued to hit sentiment. Volume was lower than on Wednesday and the MIB index managed a rise of 3 to 1,086.

Among blue chips, chemicals group Montedison put on L10 to L1,460, climbing to L1,500 in after hours trading as investors welcomed news of its restructuring.

De Benedetti group companies were mixed, on worries that French authorities might block Cir's sale of Paris-quoted Buitoni SA to Nestlé of Switzerland. Cir edged up L30 to L6,450 and Buitoni Spa lost L175 to L10,275.

STOCKHOLM finished stronger but off the day's highs, helped by strong buying by domestic institutions. The Affaersvaerlden index added 2.3 to 809.9.

Alfa Laval B free shares climbed SKr13 to SKr355 in high turnover following earlier reports of a rosy outlook for 1988.

ZURICH lacked direction and closed steady in light trading. The all-share index eased 2.3 to 852.7.

Hoffmann-La Roche bearers were hit by profit-taking after strong gains the previous day, and fell SFr1,000 to SFr172,000.

MADRID continued to benefit from Wednesday's half percentage point cut in the intervention rate to 11 per cent and the general index rose 1.75 to 275.50.

Banks were little changed but utilities rose on the interest rate cut.

SOUTH AFRICA

A STRONGER bullion price and improved interest pushed Johannesburg gold stocks higher.

Freegold moved up 75 cents to R29.75.

Other mining stocks followed the gold lead and also closed firmer. De Beers gained 65 cents to R29.75, but Rustenburg Platinum was unchanged at R29.25.

Leading industrial shares also firmed, with SA Breweries rising 50 cents to R17.50 and Barlow Rand increasing 50 cents to R20.

Chris Sherwell on a lifting of the clouds

Australia rediscovers the spring in its step

JUST SIX weeks ago, a black cloud of gloom settled over the Australian stock market as the key indicator, the All-Ordinaries index, sank to 1,171, more than 50 per cent below its peak of last September.

Chartists said this was dangerously close to the 1,150 level reached on November 11, three weeks after the October crash, and some forecast a plunge to 800 if it slipped any further.

This week, the despondency seems to have evaporated. A month and a half of sustained rises and soaring volumes has put a song in brokers' voices, a dance in their clients' step.

The index has risen a remarkable 24 per cent in that time – it closed yesterday at 1,450.5, another 23 points higher. Trading volumes are up around 50 per cent, and in value terms have roughly doubled in size.

While no one sees the pace of this rise continuing unchecked, few believe it represents a fearsome bear trap preparing to snatch them back into oblivion.

There is also broad agreement about the forces at work since the dark days of January and early February. Investors who wrote off Australia because a crash-induced recession would hurt it badly are now returning because the slowdown has not materialised, analysts say.

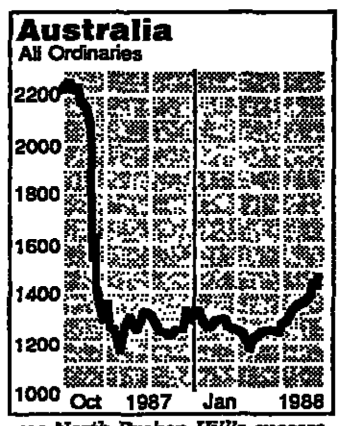
Behind this view lies the perception that Australia, as a major commodity producer, has one of the world's most "growth-sensitive" economies. Because growth in the US, Japan and Europe turned out higher than expected prior to the crash and has continued stronger than expected since, sentiment has changed.

Australian shares have gained as prices surged for certain commodities – wool, nickel and aluminium are all at record levels – and the domestic economy, projected to show 3 per cent GDP growth this year, has expanded beyond all expectations.

At the same time, foreign institutional investors who had become overweight in equities during the five-year bull run recognise they may have veered too far the other way. As they redress the imbalance, local institutions have stopped selling.

A long string of better-than-expected interim profits in the corporate sector, coupled with some optimistic comments from managements, reinforced the swing towards optimism, while a strengthening dollar was a further comfort for foreigners.

A revival of takeover activity has also helped. Early on there



was North Broken Hill's successful bid for Peko to form a major resource group, and a joint bid by the industrial group BTR Nylex and the privately-owned Pratt group for ACI.

More recently New Zealand entrepreneur Sir Ron Brierley has joined forces with Mr Kerry Packer, the publishing magnate, to bid A$825m (US$612m) for Mr Robert Holmes à Court's Bell Resources, while Email has offered A$380m for BHP's Rheem Australia.

Not all stocks have benefited: several hundred continue to languish. Equally, some have gained from special circumstances: this week it is News Corporation, thanks to a strong recommendation from a New York firm, and Western Mining, because an industrial dispute there has boosted the nickel price.

The optimism has spread to different sectors, starting with bank stocks, moving into blue chip industrials and transport and property sectors, and latterly mining stocks, which some analysts regard as under-priced.

Even in resources the focus has been more on base metals than gold or oil, interest in both of which has tended to weaken as fears of recession or inflation have abated.

Most analysts see the rising market trend as a rally from an oversold position and believe it will run into the second quarter. While they also believe it is underpinned firmly enough to avoid a relapse to the lowest post-crash levels, they caution that the recent pace of increase cannot continue indefinitely.

On this basis, one analyst ventures, the market can be expected to peak by mid-year and then give way to a generally uninspiring performance. But he also warns that the whole world equity scene – and in particular Australia's – remains very fragile.

ASIA

Sellers emerge amid fears of curbs on margin trading

Tokyo

BUYING enthusiasm disappeared rapidly in Tokyo yesterday on growing fears that further controls would be imposed on margin trading, *writes Shigeo Nishiwaki of Jiji Press.*

Several recent market leaders, notably large-capital steels and shipbuildings, came under selling pressure. But some biotechnologies and stocks that will benefit from private equipment investment firmed.

The Nikkei average rose 62 points in early trading, but lost ground gradually to close down 113.95, near the day's lows, at 25,781.28. Turnover shrank from 1.5bn shares on Wednesday to 842m and falls were nearly double gains at 603 against 302, with 154 issues unchanged.

The margin buying balance on the Tokyo, Osaka and Nagoya stock exchanges reached Y7,410bn on March 18, up Y200bn on a week ago and a record high for the third week, according to figures released on Wednesday. The news increased the possibility that margin trading controls would be further strengthened.

Buying interest was also hit by rumours that the Finance Ministry was concerned about a leading brokerage house's massive purchases of giant-capital steels and shipbuildings.

A further blow came from news of a large increase in institutional selling of banks and other stocks before the end of the March closing of books.

With a drop in trading in large-capitals, the ratio of transactions in the 10 most active stocks to total turnover fell from Wednesday's 56.1 per cent to 37.5 per cent. Nippon Steel remained at the top of the active list, but its turnover plummeted to 79m shares – less than one-third Wednesday's level – and its price fell Y8 to Y476.

Sumitomo Metal Industries, second with 61.4m shares traded, dipped Y2 to Y394, while Ishikawajima-Harima Heavy Industries and Tokyo Gas fell Y30 to Y924 and Y20 to Y1,250 respectively.

Buying of high-technology stocks decreased again as the yen advanced against the dollar. Matsushita Electric Industrial lost Y50 to Y2,650 and Sony Y100 to Y5,150, while NTT dropped Y40,000 to Y2.4m.

Despite the general downward trend, biotechnologies firmed, reflecting their improving business performance. Takeda Chemical and Shionogi were up Y20 each at Y3,270 and Y1,900 respectively. Eisai, which plans a free share issue to its stockholders, added Y50 to Y2,860.

The increasing investment in equipment pushed up Sumitomo Heavy Industries Y10 to Y630, putting it third on the active list with 47.3m shares traded.

Elsewhere, rumours of heavy buying by speculators boosted Koito Manufacturing Y120 to Y2,020.

Bond prices turned slightly lower in spite of the yen's appreciation because of rises in US crude oil prices and US long-term interest rates. Dealers, who had been bullish on Wednesday, retreated to the sidelines, while financial institutions closing books in March sold in small lots.

The yield on the 5.0 per cent government bond due in December 1997 rose to 4.465 per cent from Wednesday's 4.440 per cent in diminished trading.

The advance of the yen increased selling on the Osaka Securities Exchange, and the OSE stock average fell 99.67 to 25,940.03. Trading came to 126.5m shares, down 140.6m.

Toa Wool Spinning rallied Y90 to Y1,550 on speculative interest.

Australia

FIRM commodity prices and corporate activity spurred foreign buying and bolstered local investors' confidence in Australia, sending share prices sharply higher in heavy trading.

The All Ordinaries index finished 23.4 higher at 1450.5 as quality industrial and resource stocks led gains. Turnover was 164m shares worth A$257m, up from about 140m worth A$300m.

News Corp was strong again, rising 70 cents to A$14.20 on 1m shares traded after a New York broker's recommendation.

Pioneer Concrete, which announced a 28 per cent rise in interim net profit, added 5 cents to A$2.90, but Adelaide Steamship remained steady at A$6 following its interim loss of A$509m.

In the consumer sector, Tooth and Co climbed A$1.30 to A$8.50, still below the A$9 a share offer from Petersville Sleigh, off 5 cents at A$2.45.

Hong Kong

INSTITUTIONAL investors remained on the sidelines and share prices ended lower in slow trading, hit by short-term selling.

The Hang Seng index fell 15.51 to 2,546.40, with HK$834m turnover against HK$899m.

HK-TVB rose 90 cents to HK$14.80 helped by news of its profits increase and its success in winning a court ruling over broadcasting rights for the Seoul Olympic Games.

Swire Pacific, which reported 1987 profits up 34.3 per cent after the market's close, saw its A shares drop 20 cents to HK$17.70.

Singapore

SPORADIC profit-taking and a lack of follow-through buying support left the market slightly easier, with the Straits Times Industrial index off 3.05 at 958.45.

The lower Tokyo market and weaker dollar also hit sentiment, with small investors selling blue chips and quality stocks.

NOL fell 1 cent to S$1.42 on a turnover of about 2.2m shares.

Better year-end results and a bonus issue from National Iron helped its share rise 60 cents to S$6.90 with 400,000 shares traded.

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY MARCH 24 1988					WEDNESDAY MARCH 23 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987/88 High	1987/88 Low	Year ago (approx)
Australia (89)	119.90	+1.6	96.43	107.46	3.96	118.01	95.32	105.84	180.81	85.36	121.24
Austria (16)	92.59	+0.6	74.46	80.71	2.60	92.05	74.35	80.87	102.87	84.35	93.44
Belgium (48)	137.27	+1.6	110.40	119.33	4.01	135.12	109.14	118.13	139.89	94.63	117.52
Canada (126)	121.96	-1.2	98.08	109.77	3.00	123.42	99.69	111.13	141.78	98.15	133.25
Denmark (38)	118.55	+0.7	95.34	103.80	2.77	117.77	95.13	103.80	124.83	98.18	115.00
Finland (23)	125.01	+0.6	100.54	106.13	1.87	124.28	100.38	105.93	–	–	–
France (121)	84.23	+0.8	67.74	75.41	4.23	83.56	67.49	75.30	121.82	72.77	120.79
West Germany (94)	79.96	-0.8	64.30	69.79	2.65	80.58	65.09	70.84	104.93	67.78	89.43
Hong Kong (46)	99.36	-1.0	79.91	99.57	4.30	100.34	81.05	100.58	158.68	73.92	110.20
Ireland (14)	121.30	-0.9	97.55	107.46	4.27	122.44	98.90	109.09	160.22	93.50	130.68
Italy (94)	79.37	+0.9	63.83	73.74	2.62	78.65	63.53	73.54	112.11	62.99	102.56
Japan (457)	168.40	+0.4	135.43	133.80	0.53	167.66	135.43	134.39	168.40	100.00	127.80
Malaysia (36)	121.37	+0.0	97.61	119.80	3.23	121.31	97.99	120.24	193.64	93.76	133.11
Mexico (14)	137.01	-1.6	110.19	341.55	1.04	139.22	112.45	347.06	422.59	90.07	142.91
Netherland (37)	108.70	-0.9	87.42	93.61	4.92	109.72	88.63	95.12	131.41	87.70	112.69
New Zealand (23)	79.15	+0.8	63.66	63.96	5.29	78.55	63.45	62.74	138.99	64.42	96.26
Norway (24)	124.25	+0.6	99.92	106.54	2.85	123.56	99.80	106.62	185.01	95.51	126.90
Singapore (26)	112.57	-0.9	90.54	104.40	2.22	113.57	91.73	105.53	174.28	81.21	122.51
South Africa (61)	137.70	+1.3	110.75	81.35	5.22	135.96	109.82	80.32	198.09	100.00	164.57
Spain (43)	151.10	+1.5	121.51	128.43	3.30	148.89	120.26	127.23	168.81	100.00	110.04
Sweden (32)	119.92	+1.1	96.44	105.36	2.66	118.66	95.85	104.74	136.64	88.50	114.75
Switzerland (53)	85.05	+0.4	68.40	73.21	2.33	84.72	68.43	73.40	111.11	73.65	96.68
United Kingdom (327)	136.28	-2.1	109.60	109.60	4.41	139.27	112.50	112.50	162.87	99.65	132.34
USA (585)	107.43	-2.0	86.40	107.43	3.51	109.62	88.54	109.62	137.42	91.21	123.77
Europe (964)	108.95	-0.9	87.62	92.01	3.82	109.94	88.80	93.35	130.02	92.25	114.46
Pacific Basin (677)	163.80	+0.4	131.73	131.36	0.71	163.08	131.72	131.86	163.80	100.00	126.85
Euro-Pacific (1641)	141.87	+0.0	114.10	115.70	1.66	141.84	114.57	116.54	143.65	100.00	121.92
North America (711)	108.21	-1.9	87.02	107.59	3.48	110.35	89.14	109.73	137.55	91.68	124.27
Europe Ex. UK (637)	91.97	+0.2	73.97	81.01	3.29	91.75	74.11	81.34	111.97	78.89	103.40
Pacific Ex. Japan (220)	108.40	+0.6	87.18	100.27	4.05	107.80	87.07	99.71	164.03	82.92	115.26
World Ex. US (1842)	141.15	+0.0	113.52	115.25	1.74	141.15	114.01	116.08	143.38	100.00	122.79
World Ex. UK (2100)	127.34	-0.5	102.41	112.86	2.09	127.96	103.36	113.97	138.82	100.00	122.30
World Ex. So. Af. (2366)	128.06	-0.7	102.99	112.76	2.29	128.91	104.12	114.06	139.47	100.00	122.92
World Ex. Japan (1970)	108.80	-1.4	87.50	101.66	3.64	110.40	89.17	103.35	134.22	92.98	120.99
The World Index (2427)	128.12	-0.6	103.04	112.54	2.31	128.96	104.16	113.82	139.73	100.00	123.18

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Danish Stock Exchange closed in order to implement electronic trading system.
Amendments to indices for March 23 applied to Ireland.